

Friday May 19 1992  
ement

it trade

lion  
ance  
Bell.

How Britain is governed  
The cabinet's closed  
doors crack open  
Page 17

Thailand  
What now for the economy  
and foreign investment?  
Page 14

General Dynamics  
Back to basics in a  
brave new world  
Page 17

Surveys  
● Courier and ● World  
Express Services Banking  
Separate sections



# FINANCIAL TIMES

Wednesday May 20 1992

EUROPE'S BUSINESS NEWSPAPER

D8523A

## Fall in US housing starts renews hopes of rate cut

The biggest monthly drop in US housing starts for more than eight years prompted renewed speculation that the Federal Reserve might soon signal another small cut in interest rates and helped push the Dow Jones Industrial average to a record high.

On Wall Street the benchmark long bond rose half a point on the news, signalling traders' hopes of an interest rate cut. The Dow Jones Industrial average closed up 21.96 to end at a record high 3,397.99. Page 16; Treasury advance, Page 22; Currencies, Page 38; US stocks, Page 37

**Aid threat:** Spain will withhold co-operation on enlarging the European Community unless it wins speedy agreement on bringing into operation a new EC mechanism for channelling resources to poorer countries. Page 16

**Japan dumped minivans:** The US Commerce Department ruled that Japanese carmakers sold minivans in the US at less than fair value. If the US International Trade Commission decides that domestic carmakers have been damaged, punitive duties may be imposed on the vans.

**Annexation claims:** Armenia is annexing large parts of Azerbaijan, a deputy chairman of the Azerbaijan Popular Front claimed. He said there was fighting around four key towns. Page 2

**Pledge on economy:** The UK government and the Bank of England served notice that the battle against inflation would remain the centrepiece of their economic strategy despite signs that the recession is coming to an end. Page 16; Rising output, Page 8

**Pay peace:** The last significant threat of further labour unrest in West Germany this year evaporated with agreement on a pay rise for construction workers. Page 2; Editorial Comment, Page 14

**Kazakhstan promise on nuclear weapons:**

Kazakhstan president Nursultan Nazarbayev (left at the Tomb of the Unknown Soldier in Washington yesterday) said during his visit to the US that he would commit his country to the Start treaty aimed at the reducing long-range nuclear weapons. Ex-Soviet republics to settle Start row, Page 2; Chevron signs Kazakh deal, Page 7

**Pol threat:** Kim Young Sam won the presidential nomination of South Korea's ruling Democratic Liberal party but his victory was soured by the possibility that his only challenger may launch an independent bid for the post. Page 4

**Morton International:** US salt, chemicals and car components group, is to invest "hundreds of millions of dollars" in a European factory making emergency airbags for cars. Page 6

**New party:** An extra dimension was added to Hong Kong politics with the formation of a pro-British party, the Democratic Alliance for Betterment of Hong Kong. Page 4

**'Bias' probe:** Federal banking regulators are investigating the lending records of 266 US banks suspected of having discriminated against customers from minority groups. Page 7

**British Airways:** has staged a strong recovery from the worst-ever slump in civil aviation with pre-tax profits more than doubling in the year to March 31. Page 17

**Action ruled out:** The UK government signalled that it would take no action against US pilots involved in the deaths of nine UK soldiers killed by "friendly fire" in the Gulf war. Page 9

**Olympia & York:** told holders of securities in its 56 Water Street property, the world's largest office building, that they faced huge losses on their investment but could not rely on O&Y to bail them out. Page 17

**Rising demand:** New car sales in west Europe rose in April by 0.4 per cent helped by a strong rise in demand in Italy and Spain and the first sign of a recovery in the UK. Page 3

**Drug 'safe':** Halcion, the controversial sleeping pill made by Upjohn, has been found by an advisory panel to the US Food and Drug Administration to be safe and effective at low doses. Page 7

**Glasnost:** UK prime minister John Major has broken with tradition by revealing details of the the ministerial committees which underpin government decision-making. The system has until now been shrouded in secrecy. Details, Page 11

**Pinault:** French company which won a controversial bid for the Au Printemps department store chain, is selling its timber business. Page 18

STOCK MARKET INDICES	
FT-SE 100	2780.4 (+3.0)
Yield	4.82
FT-SE Eurotrack 100	1,180.85 (+3.75)
FT-A All Share	1,182.87 (+0.8)
Nikkei	14,784.11 (+811.01)
Dow Jones Ind Ave	3,397.99 (+21.96)
S&P Composite	415.37 (+3.52)

US CLOSING RATES	
Federal Funds	3.75%
3-mo Treas Bill	3.65% (3.62%)
Long Bond	10.93% (10.2)
Yield	7.75% (7.82%)

LONDON MONEY	
3-mo Interbank	10.1%
Life long gilt bank	10.1% (10.1%)

NORTH SEA OIL (Argus)	
Brent 15-day July	\$19.20 (19.55)

Gold	
New York Comex	\$338.2 (339.3)
London	\$337.5 (338.7)

Austria	Sch30	Hungary	FT100	Malta	Ln0.50	Slovakia	SR0.00
Slovenia	Dln1.00	Ireland	IR100	Mexico	MD11	Singapore	S\$4.10
Belgium	BF0.00	India	Rs20	Neth	Fl 1.50	Spain	Pn200
Cyprus	CT0.00	Indonesia	Rp2000	Nigeria	Nn200	Sweden	Sk0.14
Czech	Kcs30	Israel	Sh10.00	Norway	Nkr15.00	Switz	Sfr0.60
Denmark	Dkr14	Italy	Lira100	Oman	OR1.20	Thailand	Bch50
Egypt	Eg0.00	Jordan	Jd1.20	Pakistan	Pcs20	Tunisia	Dln1.00
Finland	Fm10	Korea	Won200	Philippines	Pps0.10	Turkey	L0000
France	Ffr40	Kuwait	Kds100	Poland	Zl 10.00	UAE	Dhs0.00
Germany	Dmk100	Lebanon	Llb100	Portugal	Pt100		
Greece	Dr200	Lux	Lfr100	Qatar	QR10.00		

## Thai protesters defy army crackdown

By Victor Mallet and Peter Unghphakorn in Bangkok

A MILITARY crackdown on pro-democracy activists in Bangkok failed to clear protesters off the streets yesterday as demonstrations continued for a third day and unrest spread to other parts of the country.

The beleaguered government of Gen Suchinda Kraprayoon, the prime minister, has withheld details of casualties in the bloodiest clashes seen in the Thai capital since 1976, but information from hospital doctors suggested that at least 50 people had been killed since Sunday night.

The US yesterday significantly increased its pressure on the Bangkok government to resolve the current unrest peacefully.

First the Pentagon announced it was suspending US participation in a joint military exercise with Thai forces. About 9,500 US troops were involved in the operation known as Cobra Gold.

Mr Pete Williams, the defence department spokesman said: "We think it makes common sense at a time of problems in Bangkok not to have pictures of US forces storming the beaches in Thailand."

Second, Mrs Margaret Tutwiler, the state department spokes-

woman, said it was clear "that a normal relationship with the Thai government under current conditions will be impossible."

She said that the US ambassador in Bangkok had told Gen Suchinda Kraprayoon, the prime minister, "to refrain from the use of deadly force and to take measures to heal Thailand's domestic wounds." She added that a similar message had been conveyed to Thai opposition leaders.

Earlier the state department had advised US citizens not to visit Bangkok. Last year the US suspended most aid to Thailand following the military coup masterminded by Gen Suchinda, and

Ms Tutwiler said yesterday all military and economic aid was now on "indefinite hold," with the single exception of a \$4m a year anti-narcotics programme.

Last night a crowd of several thousand demonstrators barricaded a highway outside Bangkok, submitted an appeal to King Bhumibol Adulyadej to break the deadlock. This is beginning to hope the king will intervene to resolve the matter as he did at

Thailand. Smaller demonstrations have taken place in other towns around the country, including the resort island of Phuket.

The privy council met yesterday in emergency session and a group of influential academics submitted an appeal to King Bhumibol Adulyadej to break the deadlock. This is beginning to hope the king will intervene to resolve the matter as he did at

Continued on Page 16  
Foreign investors uneasy, Page 4  
Young tiger's ugly roar, Page 14  
Military might crushes Thai equities, Back Page, Section II

## German industry urges Bonn not to pull out of aerospace venture

# Warning on European fighter programme

By Quentin Peel in Bonn and Andrew Fisher in Stuttgart

THE GERMAN defence and aerospace industries launched a furious last-ditch defence yesterday to save their participation in the European Fighter Aircraft (EFA), which is being built with Britain, Italy and Spain.

Mr Edzard Reuter, chief executive of Daimler-Benz, Germany's largest industrial group and chief contractor for the EFA through its Deutsche Aerospace subsidiary, warned that a decision to pull out would damage the entire German economy.

"The issues concern technologies which were developed at great expense and with great effort and have become key factors in an entire economy," he said.

The national federation for defence and aerospace industries sent an urgent plea to the key decision-makers not to withdraw from the project, less than two weeks before Mr Volker Rühe, the German defence minister, is due to make his final recommendation to the three parties in the government coalition.

At the same time the Bavaria-based Christian Social Union, the smallest partner in the ruling coalition, has demanded top-level talks with Mr Helmut Kohl, the chancellor, to head off the expected negative decision.

The party leadership has made it clear that the decision over EFA, which will be built primar-

ily in Bavaria, is a fundamental one for the coalition, and must be agreed by all three parties.

In a barely disguised attack on Mr Rühe and his colleague Mr Jürgen Möllemann, the economics minister, Mr Reuter denounced "short-sightedness, aggravated by rose-coloured, populist spectacles". Mr Möllemann is a public opponent of the aircraft, and Mr Rühe is widely reported to have made up his mind to pull out.

If Germany quit the EFA project, it would risk shaking the foundations of an entire industry... because of relatively small gaps in the federal budget," Mr Reuter said.

The appeal to all the members of Germany's parliamentary budget and defence committees, to Mr Rühe and Mr Möllemann, was sent by Mr Karl Dersch, president of the Federation of the German Aerospace and Defence Industry (BDLI).

Mr Dersch said it was agreed in all the leading political parties that Germany needed a new fighter aircraft to ensure its air security.

He quoted a price for the aircraft including equipment, and value added tax, of DM98m (\$59.3m), based on a "fly-away" price of DM65m. If all the tax revenues due to the government from the manufacturing process



Daimler-Benz chief Edzard Reuter: EFA technologies are a key factor in the economy

in Germany were deducted, he said, the real "net" price to the state budget was only DM29m. Every foreign competitor would be at least twice as expensive.

The BDLI has calculated that 20,000 jobs in Germany would be at stake if the government pulled out of the EFA project.

Editorial comment, Page 14  
Daimler results, Page 18

## Italy must act to meet Emu targets, say EC ministers

By Andrew Hill in Brussels

ITALIAN economic policy was in danger of sliding out of control, European Community finance ministers said yesterday.

They called on Italy's caretaker government to take drastic and immediate action "to put the Italian budget back on the track" towards economic and monetary union (Emu).

In a strongly worded communiqué, the ministers said that there would be "significant adverse repercussions throughout the Community" if Italy failed to meet the economic convergence criteria laid down in the Maastricht treaty by 1996.

They added: "Strong measures cannot be further postponed, as the size of the emerging slippage is such as to undermine the credibility of Italian economic policy."

Italy presented plans to improve its budget deficit and reduce inflation last November, but EC ministers are worried

that not enough has been done since then to meet stated targets. They estimate that a £20,000bn (\$24bn) package of spending cuts and reforms is needed if Italy is to meet its 1992 target of reducing the deficit to 1.27% of GDP.

Mr Guido Carli, the Italian finance minister who lost his seat in the recent election, said priority should be given to reforming the healthcare and pensions system once a new government was formed.

Finance ministers also expressed their concern that German plans to meet the Emu targets might be over-optimistic.

Mr Theo Waigel, the country's finance minister, said inflation - which stood at 4.7 per cent in April - could come down to 3.75 per cent by the end of this year. He added that the general government deficit would rise from 2.8 per cent of gross domestic product last year to 3.1 per cent this year, before returning to 2.6 per cent in 1993 - well inside the Emu target of 3 per cent by 1996.

But Mr Waigel's figures contradicted those approved by the ministers, which indicated a deficit of 4.1 per cent in 1992, dropping to 3.3 per cent next year and 1.9 per cent by 1995.

Mr Waigel tried to reassure fellow ministers that central government would be able to hold in check the spending of the German Länder and municipal councils.

But Mr Carlos Solchaga, the Spanish finance minister, afterwards voiced other ministers' scepticism about the German plans and the effectiveness of economic co-operation between Bonn and the Länder.

His own country has imposed much stricter budget deficit targets than Germany.

For once, ministers did not take the opportunity to attack German interest rate and wage policy, although they did underline that Germany should aim for a good policy mix.

Spanish threat, Page 16

## Show trial of Croats by Serb military

By Laura Silber in Belgrade

FRANZ KAFKA would have felt at home yesterday in the first floor courtroom in Belgrade's main military courthouse. Seven pallid prisoners, all looking bewildered and one obviously mentally disturbed, sat facing five military judges, whose uniforms were decorated with from two to five stars.

Above them the eternal flame, the communist emblem of the defunct Yugoslav federation, was still firmly fixed to the wood-panelled walls. A row of seven clean-cut military policemen in camouflage uniforms separated the defendants from the spectators and some scowling Belgrade journalists. The main witness, who was present at the hearing, cursed and jeered at the seven: "Ustashe animals", using the Serbian epithet for Croats.

The men, Croat nationalists, who are accused by the Yugoslav army of war crimes and taking part in an "armed uprising against Yugoslavia", are the principal players in what may herald the start of a series of show trials. The seven are Croats from a village near Vukovar, the devastated city in eastern Croatia. They are accused of crimes last autumn at the height of the army siege of the town. The crimes range from murder to "endangering the security of the Socialist Federated Republic of Yugoslavia".

The defendants, who face the death penalty, are being tried by a military court although they are all civilians.

A guilty verdict looked predetermined as most of the defendants were not allowed to choose their own defence lawyers. Instead they were awarded "defence" counsels from the ranks of embittered Serb refugees from Croatia.

Mrs Nadezhda Danilovic, a defence lawyer from Belgrade, yesterday raised objections to the military tribunal, saying that the court was not authorised to try Croat, now foreign, citizens.

Defence lawyers fear that Serbia's state-controlled media will use this and other trials to pump up hatred of Croats in order to channel popular resentment at the collapsing economy.

Continued on Page 16  
Bosnia-Croatia talks, Page 3

## CLASS DISTINCTION FROM CONTINENTAL —to— NEW YORK AND OVER 140 U.S. CITIES

BUSINESS CLASS AND YOUR COMPANION GOES FREE (TO SELECTED U.S. CITIES)

FIRST CLASS AND YOUR COMPANION GOES FREE (TO OVER 140 U.S. CITIES)

FIRST CLASS FOR THE COST OF BUSINESS CLASS (TO OVER 140 U.S. CITIES)



The next time you fly to the US on business, why not reward yourself and perhaps your partner with one of our very special offers.

Continental Airlines serves over 140 US cities. There are daily 747 flights to New York and Houston, and three non-stop flights a week to Denver from London Gatwick.

All with a lot more class. For full details see your travel agent or call Continental direct on (0293) 776464.

Continental Airlines  
One Airline Can Make A Difference.

### CONTENTS

Crossword	36	Foreign Exchanges	36	Bourses	37-40
Companies		Gold Markets	38	Surveys	
UK	24-27	Equity options	22	World Banking	
Int. Cap Mkts	21-22	Managed Funds	32-36	Separate Section	
Int. Companies	19-21	Money Markets	36	Courier & Express	
Markets		Recent Issues	22	Services:	
Commodities	28	Share Information	30,31,40		
FT Acquisitions	29	London SE	29		

## NEWS: EUROPE

# Construction pay agreed in Germany

By Christopher Parkes  
in Bonn

THE LAST significant threat of further labour unrest in west Germany this year evaporated yesterday with agreement on a 5.8 per cent pay rise for 1m construction workers.

The settlement, which followed on the heels of a similar deal struck at midnight on Sunday for almost 4m engineering workers and the recent 5.4 per cent rise for around 3m public servants, effectively concluded this year's pay round.

While strike action in other industries cannot be ruled out - traditionally militant printers invaded arbitration talks yesterday to press their case for 11 per cent - negotiations in the key sectors are now complete.

The results so far suggest a national average award marginally below the 6 per cent adopted as the most likely outcome by government and independent forecasters in their 1992 economic predictions.

Yesterday's construction deal coincided with the release of an upbeat report by HDB, the main industry association. The weakness in the overall economy had slowed building development but could not stop it, Mr Hermann Becker, association president, said last night.

He expected real growth in the west this year of 2.3 per cent, despite the effects of a severe spending squeeze on the public sector. New orders in the east in the first four months of the year were a real 56 per cent higher than in 1991, Mr Becker added.

The nominal increase of 70 per cent had been eroded by the rapid rise in labour costs, he said. Wages in east Germany would increase to 77 per cent of western levels as a

Germany yesterday promised to find some new way to charge foreign lorries using its road network for transit, after the European Court of Justice ruled that its present tax plan was contrary to the Treaty of Rome, writes Quentin Peel in Bonn.

Mr Günther Krause, transport minister, expressed disappointment at the result, and promised to put forward a new plan which would be "fair to German interests and conform to EC law".

He said the government's aim remained the same: to ensure that all road haulage should pay directly for using German roads. This should reduce congestion on the autobahn system, strengthen the competitiveness of the railways, and make the whole transport system more environmentally friendly.

The tax would have required all heavy goods vehicles using the German roads, with a permitted loaded weight in excess of 18 tonnes, to pay an annual licence fee ranging from DM2,000 (\$1,210) to DM9,000 (\$5,450). The European Court decided the tax contravened the article of the Rome Treaty forbidding discrimination against road hauliers from other member states.

result of yesterday's pay deal.

Total construction output in the east, where the upswing was still "unsteady", was expected to show a 17 per cent increase for the full year, Mr Becker said. Longer term, new estimates showed that DM2,400bn (\$1,454bn) would have to be spent on construction in the east over the next 15 years to bring housing, working and environmental facilities up to western standards.

Editorial comment, Page 14

## NEWS IN BRIEF

## Ex-Soviet republics to settle Start row

THE former Soviet Union's four "nuclear" republics - Russia, Kazakhstan, Ukraine, Belarus - are expected to agree this weekend to jointly honour the long-delayed Start treaty reducing long-range nuclear arsenals, writes Leyla Boulton in Moscow. A Russian Foreign Ministry official said they would sign a protocol to be attached to the treaty.

Russia had originally argued that it should ratify the treaty with the US on behalf of other republics in the process. Ukraine's parliament yesterday partially endorsed the state budget for 1992, after rejecting three earlier versions, writes Chrystia Freeland in Kiev. The budget, which sets total expenditure at Rbl1,79bn with a deficit of 2 per cent of gross domestic product, was attacked by reformers for failing to initiate structural economic changes and by hardliners for capping social subsidies. Deputies endorsed the budget in principle and ordered the government to present a final draft by June 15.

### Swedish tax cuts

The Swedish government is to lower corporate tax on dividends, interest payments and capital gains from 30 per cent to 25, writes Robert Taylor. Companies will also be able to set off for tax purposes current losses against profits made in earlier years.

### French output falls

French industrial production fell by 0.4 per cent in March from February, according to seasonally adjusted data from the national statistics office, Reuters reports from Paris.

# Armenia 'annexing' part of Azerbaijan

By John Lloyd in Baku

FIGHTING between Armenian and Azerbaijani forces is now going on in or around four key towns on Azerbaijani territory, according to a senior Azerbaijani politician.

Mr Niaz Ibrahimov, a deputy chairman of the Azerbaijan Popular Front, said last night that Armenia was "annexing" major parts of Azerbaijani territory and that "the world community must know what is happening - it has encouraged it to happen."

The escalation of the fighting over the past few days has raised the conflict between the two Caucasian republics to a level of virtual war, with the smaller Armenian republic attacking strongly on two fronts.

Mr Ibrahimov said that a land corridor between Armenia and the Armenia-dominated enclave of Nagorno-Karabakh in Azerbaijan was now under Armenian control and that Sadarak on the north-east of the Azerbaijani autonomous republic of Nakhichevan - which is between Armenia and Turkey - was last night being hit by rockets.

"All of the fighting is now on Azerbaijani territory - at Agdam (to the east of Karabakh), Fizuli (to its south), Lachin (to its west, and to the end of the Armenian corridor) and Sadarak. The Azerbaijani population of Karabakh has been partly destroyed, partly made refugees. And the world's press and governments go on babbling about the plight of the Armenians in Karabakh."

The Popular Front has now taken political control in the Azerbaijani capital of Baku, with the election on Monday of Mr Isa Gambarov, a deputy chairman of the Front, as Speaker of parliament and acting president. Mr

Ibrahimov said presidential elections would take place on June 7 "unless the situation in Baku is destabilised." He also promised parliamentary elections within the year, under the same conditions.

The republic, with 7m population, is potentially rich in oil in offshore deposits now being prospected by a group of western oil companies including Amoco and BP.

An Amoco representative in Baku said last night that the leaders of the republic's oil and gas corporation remained in place, and he expected them to continue to do so.

Mr Ayaz Muttalibov, the former communist president who briefly took power last Thursday was, according to unconfirmed reports, in a Moscow military hospital last night after fleeing Baku from a military airfield. Mr Ibrahimov said he did not expect any

attempt at a further coup from Mr Muttalibov's supporters.

The Popular Front, a secular force created by intellectuals four years ago, and favouring closer relations with Turkey, now controls half the 50 seats in the Mejlis, or National Council of the republic.

He said Russian intelligence services had collaborated in the attempted rehabilitation of Mr Muttalibov last week because Russia believed he would have sought closer relations with the Commonwealth of Independent States. Azerbaijan, with four other CIS members, refused to sign a pact on collective security in Tashkent last Friday. Armenia, with Russia, was among the six which did sign.

Mr Ibrahimov said that the Azerbaijani forces had grown from a mere 150-strong national guard in March but lacked organisation and weapons.

## No accord in Moscow with IMF

By Leyla Boulton in Moscow

A TEAM from the International Monetary Fund is to leave Moscow without agreeing the first draft of a Russian economic reform programme which would unlock the \$24bn promised by the west because key details remain unresolved.

The Russian government had hoped to agree a letter of intent with the Fund by today so that the final standby programme could be ready in time for President Boris Yeltsin's meeting with Group of Seven leaders in Munich on July 6-7.

The visiting IMF officials are understood to have told the Russian government that despite progress - including moves to liberalise internal oil prices - more work needs to be done. Cuts include a system to control monetary policy with the other former Soviet republics which still use the rouble as their currency. Despite an ultimatum by Russia for republics to decide whether to keep the rouble, Latvia and Belarus have for instance refused matters by deciding to issue surrogate currencies while remaining in the rouble zone.

Russia's most senior crime prevention officer yesterday urged the government to plan for the consequences of the large-scale unemployment it expects to result from the reforms.



Two workers clamp metal rings on the columns of Pisa's Leaning Tower in an attempt to prevent it falling down. Experts said it was a stop-gap measure while they decided on a permanent solution for the crumbling building. The 800-year-old tower has been closed to the public in recent years because of the danger of collapse.

## Japan shows 'clear interest' in Community's energy tax plans

By David Gardner in Brussels

JAPAN has expressed "clear interest" in the EC's proposed tax on energy to combat global warming, while the US continues to rule out fiscal means to reduce carbon dioxide emissions, according to Mr Carlo Ripa di Meana, EC environment commissioner.

Mr Ripa di Meana said that at last weekend's informal meeting in Bonn of environment ministers of the Group of Seven most industrialised nations, "there was clear interest from the Japanese side. It is not yet an agreement, but not a refusal. They are studying [the tax] carefully without discarding it."

The Commission proposal, for a \$10 per barrel of oil equivalent tax by 2000, levied half on energy value and half on carbon content, depends on the EC's main industrial partners following suit. Environment ministers of the 12 are expected to endorse the thrust of

this conditional plan on May 28.

At the Bonn meeting the US expressed "a drastic refusal", Mr Ripa di Meana said.

However, he stressed the "very powerful boost" to the plan in the "unprecedented and unexpected support from the World Bank", contained in its latest development report.

The commissioner believes concerted political pressure could lead Washington to move further, now that in the run-up to the Rio de Janeiro earth summit next month, the US has "accepted the logic of stabilising CO<sub>2</sub> emissions for the first time."

The EC's proposed carbon tax would have to be \$36 rather than \$10 per barrel of oil equivalent if carbon dioxide emissions were to be stabilised in line with international recommendations, according to an economic report published today by Ireland's Economic and Social Research Institute

(ESRI). Tim Coone adds from Dublin.

ESRI estimates that the costs of such a tax would be unevenly spread, reducing real gross domestic product in the US and Europe by only 1 per cent, but by over 7 per cent in many energy-exporting less-developed countries.

If the industrialised countries were to act unilaterally to curb emissions, "the costs to their economies would be virtually unchanged from what it would have been under a global agreement. But global CO<sub>2</sub> emissions would continue to grow at around 1.5 per cent per year."

It recommends that emission quotas be made internationally tradeable to provide an economic incentive for less-developed countries to participate in a global agreement.

The Economic Effects of Carbon Taxes. Policy Research Series Paper no. 14. The ESRI, 4 Burlington Road, Dublin 4. IR£00

The Financial Times (Europe) Ltd  
Published by The Financial Times  
(Europe) GmbH, Frankfurt Branch,  
Nobelpark 1, D-6000  
Frankfurt-am-Main 1. Telephone 49 69  
156950; Fax 49 69 596448; Telex  
416103. Represented by E. Hugo,  
Managing Director. Printer: DVM  
GmbH-Hürth, International, 6078  
Neu-Isenburg 4. Responsible editor:  
Richard Lambert, Financial Times,  
Number One Southwark Bridge,  
London SE1 9PL. The Financial Times  
Ltd, 1992.

Registered office: Number One,  
Southwark Bridge, London SE1 9PL.  
Company incorporated under the laws  
of England and Wales. Chairman:  
D.E.P. Palmer. Managing Director:  
The Financial Times Limited, The Financial  
Times Limited, Publishing Director: J.  
Riley, 108 Rue de Rivoli, 75004 Paris.  
Codex 01. Tel: (01) 4297 0621; Fax: (01)  
4297 0629. Editor: Richard Lambert.  
Printer: SA Nord Schell, 1571, Rue de  
Caire, 9100 Rouvray Cedex 1. ISSN:  
ISSN 1148-2753. Commission Paritaire  
no 67808D.

Financial Times (Scandinavia)  
Vismestrafte 42A, DK-1161  
Copenhagen-K, Denmark. Telephone  
(33) 13 44 41. Fax (33) 935335.



## SAUDI ARABIAN NATIONAL GUARD PUBLIC TENDER ANNOUNCEMENT FOR THE MANAGEMENT AND OPERATION OF THE NATIONAL GUARD KING KHALID HOSPITAL, JEDDAH

The Saudi Arabian National Guard Western Region Headquarters announces the tender of a three (3) year project for the management, operation and maintenance of the National Guard King Khalid Hospital in Jeddah, Kingdom of Saudi Arabia effective from 24th June 1993 at a starting operational capacity of about 400 beds and up to 500 beds during the period of the management contract.

Accordingly, the National Guard invites duly qualified tenderers to submit documents and certificates establishing that they meet the following requirements:

1. Experience in the management and operation of hospitals of a total operational capacity not less than 2500 beds during the last ten (10) years preceding this announcement. Experience during the most recent past four (4) years must include operation and management of a tertiary care hospital facility having at least 300 operational beds.
2. Execution of similar projects one of which at a value not less than SR. 500M during a period of no more than three (3) years.
3. Capability to recruit medical and non-medical staff from multi-staffing sources worldwide.
4. Main office should have duly qualified and competent personnel to undertake on-going management, support and mobilization functions.
5. Existing relations and capability to make arrangements and have links with a number of educational hospitals and medical institutions of extensive worldwide reputation.

In addition, tenderers shall submit documents to establish the following:

1. Type of company/business enclosing a copy of Memorandum of Association.
2. Financial status for the last three (3) fiscal years.
3. Commercial registration and licence for Hospital management. Saudi Arabian firms shall also submit copies of certificate of Chamber of Commerce.
4. Legal status of the firm enclosing copy of organization chart and a listing of members of the Board of Directors and senior staff and an enumeration of their numbers, qualification, experience and nationality.
5. Saudi and foreign firms which intend to submit joint tender should form and register a joint venture company each with a share of not less than 25% of the value of the joint venture capital.

Documents and certificates required hereabove should be authenticated by the appropriate local competent authorities and Saudi Embassy or Consulate overseas.

Documents shall be submitted no later than Monday 30/11/1412 (June 1, 1992) to the following address.

**Supervision Office  
National Guard King Khalid Hospital  
P.O. Box 9515, Jeddah 21423  
Telephone: 665 6200 Ext. 1662/1683  
Facsimile: 665 0446**

Tender documents for this project are available for purchase by firms which meet the requirements mentioned hereinabove at a non-refundable cost of SR. 150,000 per set as from Saturday 18/1/1413 (18/7/1992) through Sunday 26/4/1413 (26/7/1992) from the Supervision Office at the National Guard King Khalid Hospital on the above address.

Bids shall be submitted to the Supervision Office of the King Khalid Hospital at the above address subject to the instructions contained in the tender conditions and specifications not later than 10.00 am. Saturday 10th October 1992.

Bids will be opened at 11.00 am. on the same date and place in the presence of the tenderers' representatives.

## Take your message on environmental technology direct to Brazil's business leaders

From 6th to 11th June, Sao Paulo will be host to the International Environment Technology Fair (EcoBrasil), perhaps the most important event of its kind ever held anywhere in the world.

Gazeta Mercantil, one of the world's six leading business newspapers, will publish in its 6th - 8th June issue an International Environment Technology Survey, focusing on the search for solutions to environmental problems in Brazil and around the world, technological innovations in the field, and the opportunities for technology transfer.

Advertise in Gazeta Mercantil's International Environment Technology Survey. You will be speaking directly to Brazil's leading businessmen, politicians and executives - those directly concerned with solutions, and for whom Gazeta Mercantil is required daily reading.

**Publication date: 6th June 1992**

**Deadline for insertion orders: 2nd June**

**Advertising copy: 4th June**

For further information, please contact Joelson Aquino by telephone at 55 11 258-3137 or by fax at 55 11 258-6334.

From Monday 8th to Thursday 10th June, at the Environment Technology Fair venue, Gazeta Mercantil will hold a Seminar on BUSINESS AND THE ENVIRONMENT: Management, Technology, Image. For further information, call Vera Brisola: telephone 55 11 256-2522 or fax 55 11 258-6334.

**GAZETA MERCANTIL**  
The Brazilian Business Newspaper

## Serb irregulars tighten their noose around city of Sarajevo

### Bosnia holds secret talks on Croatia link

By Laura Silber

SECRET talks on a confederation between Croatia and Bosnia-Herzegovina were revealed yesterday as Serb irregulars tightened their noose around Sarajevo, the ravaged capital of Bosnia.

News of the negotiations came as Bosnia's rival ethnic leaders were due to resume European Community-brokered peace talks in Lisbon tomorrow. Diplomats however held out little hope the talks would take place as planned.

"It is an even question whether the Muslim leaders will be able to leave Sarajevo, where Serb irregulars control the airport. Croatia's pro-government media yesterday reported that Croat and Muslim leaders from Bosnia last week held secret talks in Split, the Croatian port, on a confederal relationship between the two republics and on the internal arrangement of Bosnia. 'Confederation of Croatia and Bosnia is acceptable to both the Croatian and Muslim people of Bosnia,' a statement said.

Bosnian leaders did not confirm yesterday's disclosure, but talk of a confederation is a sign of the desperation gripping Bosnia's Muslims reeling from



A Bosnian soldier keeping guard in front of presidency building in Sarajevo

the Serb onslaught on Bosnia.

Mr. Frederic Manjic, 39, a Swiss relief worker from the International Red Cross, yesterday died in hospital after a mortar attack, which wounded

two other relief workers.

Meanwhile the announcement by Serb leaders of plans to form the army of the self-proclaimed Serb Republic of Krajina, southern Croatia,

yesterday threatened the UN peace plan. The plan calls for some 14,000 peacekeepers to monitor the demilitarisation and dismantling of three crisis areas in Croatia.

The Yugoslav army, which is withdrawing from Croatia, is due to complete its withdrawal from Bosnia. But most of its weaponry and personnel are being transferred to the newly-proclaimed Serb army of Bosnia.

The army yesterday left the military airport in Tuzla after evacuating the military barracks, reported Tanjug, the Belgrade-based news agency. Serb irregulars, backed by the federal army, have seized control of some two-thirds of Bosnia's territory. Relief convoys have been blocked from distributing aid throughout the republic of 435m Muslims, Serbs and Croats, desperately short of food and medicine.

Italy yesterday approved a series of administrative measures to cut red tape in the handling of refugees from the fighting in Bosnia. The government stressed the problem should also be dealt with by the entire EC.

Yesterday's measures will enable local authorities to react more quickly to any influx of refugees. Italy continues to be haunted by the spectre of the chaos last summer caused by the invasion by boat of thousands of Albanians seeking asylum.

## President defies premier

By Nicholas Denton

HUNGARY's president, citing a danger to "democratic order" in the country, yesterday confronted the government on its attempts to exercise control of the media.

Mr. Arpad Goncz, the president and a member of the Liberal opposition, said he was refusing to carry out the prime minister's recommendation to sack the head of the state-owned radio.

He referred to the danger of "serious damage to the democratic operation of the state," a claim rejected by the government, setting the scene for a constitutional stand-off.

Mr. Jozsef Antall, the conservative premier, has made it plain he sees the radio station as hostile to the party's interests. Yesterday he responded with a prickly defence of his government's policy, saying: "poor relations with the press are due to the fact that I have high standards for the media."

It was the latest and most dramatic episode in a struggle between government and opposition for influence over the media which has dominated domestic politics since free elections in 1990.

## Hungary steps up clash over Danube dam

By Nicholas Denton in Budapest and Ariane Genillard in Prague

HUNGARY said yesterday it was officially pulling out of the controversial Danube hydroelectric scheme, fuelling its fierce row with Czechoslovakia.

Budapest said it was abrogating the 1977 treaty governing construction of the power plant at Bos-Gabckovo, and was considering turning to the European Community, the Conference for Security and Co-operation in Europe or the international court in The Hague if the Czechoslovaks did not stop building.

Environmentalists regard the project as a communist monstrosity, which will force much of the flow into a 17km-long elevated channel. They claim that the project will damage water supply and destroy wetlands.

Slovakia says the work - which is mostly on its side of the border - is 90 per cent complete and that Korunas 20bn (£390m) has been spent. The issue adds another volatile

ingredient to the complicated tensions between Slovakia, the Czech Republic and Hungary. As Slovakia approaches elections which are likely to produce a more nationalist government, Hungarian nervousness about the 800,000 fellow nationals there is mounting along with Czech fears of the break-up of the Czechoslovak federation.

Hungary's move follows three years of bitter arguments over the project since Budapest halted its part of the construction in 1988.

The uncompromising tone adopted by both Hungary and Czechoslovakia yesterday underlines the fact that neither side can afford to give in for domestic political reasons.

In Hungary, the democratic opposition which toppled the former regime was born out of hostility to the dam.

Last week, Mr. Vilmos Orosz, Slovak minister of forest and water management, said too much damage had been done to reverse the situation ecologically while the plant would produce Keshon a year of power for Slovakia.

## W European car sales grow 0.4%

By Kevin Done, Motor Industry Correspondent

NEW car sales in west Europe rose in April by 0.4 per cent helped by a strong rise in demand in Italy and Spain and the first sign of a recovery in the UK.

Demand weakened further in Germany with an estimated 11.3 per cent drop, and in France registrations were 5 per cent lower than a year ago.

According to industry estimates new car sales in west Europe totalled 1.314m last month compared with 1.308m in the same month a year ago. New car sales in Italy jumped by 15.2 per cent while sales in Spain were 19 per cent higher.

In the first four months new car sales across 17 markets in west Europe rose by an estimated 0.8 per cent to 5.018m from 4.976m in the corresponding period a year ago. Sales were higher than a year ago in ten of the 17 markets.

The strongest growth in demand this year has been

achieved in Spain and in Portugal where new car sales in the first four months have jumped by 26 and 34 per cent.

The 9.1 per cent rise in UK new car sales in April was the first year-on-year increase in 30 months and the first indication that the severest recession in the British car market in the post-war period may have ended.

In the first four months sales were still 6.7 per cent lower than a year ago at 544,317.

Among the big six volume car makers in west Europe Renault and Peugeot have achieved the fastest growth in the first four months this year with increases in sales volume of 6.9 per cent and 5.2 per cent.

Volkswagen, achieved a record market share in the first four months of 17.3 per cent further strengthening its seven-year leadership of the west European new car market.

Rover has suffered a 22 per cent fall in demand in the first four months.

### WEST EUROPEAN NEW CAR REGISTRATIONS January-April 1992

	Volume (Units)	Volume Change (%)	Share (%) Jan-Apr 92	Share (%) Jan-Apr 91
<b>TOTAL MARKET</b>	<b>5,018,000</b>	<b>+0.8</b>	<b>100.0</b>	<b>100.0</b>
<b>MANUFACTURERS:</b>				
Volkswagen (incl. Audi, SEAT & Skoda)	867,000	+4.7	17.3	16.6
Fiat (incl. Lancia, Alfa Romeo, Ferrari, Innocenti, Maserati)	633,000	-4.3	12.6	13.3
General Motors (Opel/Vauxhall, USF & Saab)	629,000	-0.3	12.5	12.7
Opel/Vauxhall	604,000	+0.0	12.0	12.1
Saab	18,000	-0.3	0.4	0.4
Peugeot (incl. Citroen)	600,000	+5.2	12.0	11.5
Ford (Europe, USF & Jaguar)	585,000	-3.1	11.7	12.1
Ford Europe	580,000	-3.0	11.6	12.0
Jaguar	4,000	-20.4	0.1	0.1
Renault	539,000	+8.9	10.7	9.9
Nissan	161,000	+0.8	3.2	3.2
BMW	160,000	+18.0	3.2	2.7
Mercedes-Benz	155,000	-5.1	3.1	3.3
Toyota	115,000	-10.1	2.3	2.5
Rover	104,000	-22.2	2.1	2.7
Mazda	99,000	-7.4	2.0	2.1
Volvo	79,000	+4.4	1.6	1.5
Honda	61,000	+5.6	1.2	1.2
Mitsubishi	54,000	-17.4	1.1	1.3
Total Japanese	570,000	-4.1	11.4	11.9
<b>MARKETS:</b>				
Germany	1,470,000	-5.1	29.3	31.1
Italy	944,000	+4.4	18.8	18.2
France	701,000	-0.5	14.0	14.2
United Kingdom	544,000	-6.7	10.8	11.7
Spain	365,000	+26.2	7.3	5.8

\*Data imported from US and sold in western Europe.  
 \*\*VW holds 31 per cent and management control of Skoda.  
 \*\*\*GM holds 50 per cent and management control of Saab Automobile.  
 \*\*\*\*Peugeot holds a 50 per cent stake in Citroen vehicle operations.  
 \*\*\*\*\*Renault and Volvo are linked through minority cross-shareholdings.  
 Source: Industry estimates

## ENTER THE 1992 NATIONAL TRAINING AWARDS NOW!

If you have been striving to achieve better results through training and can show the fruits of your labours it is time to reap the harvest.

The National Training Awards are presented to companies or individuals who have recognised the long-term benefits of training and can show the results of their commitment to it.

Results such as increased profits, new customers, higher standards, greater effectiveness or a better personal achievement.

By winning an Award you will gain public recognition of your excellence.

Companies will be able to use the Awards logo on their corporate literature to give an extra competitive edge, as well as motivating their workforce.

Individuals will find the Award recognises their successes and gives a financial contribution to help them continue their career development.

In addition to this, winners are invited to national and regional Award ceremonies which generate good publicity.

So reap the recognition you deserve by reaching for a National Training Award.

Act now to obtain free information about how to enter the Awards either as an employer or an individual by phoning

**0800 616 400**



**THUNDERBIRD RECEPTION**

Dr. Roy A. Herberger, Jr.  
President

**THE AMERICAN GRADUATE SCHOOL OF INTERNATIONAL MANAGEMENT "THUNDERBIRD"**

will host a reception and presentation to be held at 6:00 - 8:00 pm in the following cities

Monday, May 25, Hotel Metropole, Brussels, Belgium  
 Tuesday, May 26, Kurzentrum im Kurpark, Bad Homburg, Germany  
 Wednesday, May 27, Royal Aeronautical Society, London, England

Remarks by Dr. Herberger at 6:30 p.m.

Professionals in finance, marketing, human resources, general management, government and academia are cordially invited to attend

Reservations are required. Please contact the following:  
 Mr. John C. Cook, Germany Tel: 06081-14487 Fax: 06081-15852  
 Mr. Eric de Pootere, Belgium Tel: 02-241-6426 Fax: 02-216-4662  
 Mr. Thomas Joski, England Tel: 071-929-0971 Fax: 071-929-3103

The American Graduate School of International Management (Thunderbird) is the leading U.S. graduate school of business for training international managers to compete in the global marketplace. Located in Phoenix, Arizona, it has over 25,000 graduates in 130 countries employed by over 9,000 major firms, government agencies and social organizations worldwide.

## NEWS: INTERNATIONAL

# Foreign investors uneasy over Thailand's stability

By Financial Times reporters

LEADING foreign investors in Thailand suggested yesterday that although coups and attempted coups are part of the country's risk profile, economic policies had remained generally stable in spite of the periodic political upheaval.

However, in Japan - the biggest source of direct investment into Thailand - the Keidanren, the federation of economic organisations, said Japanese companies now contemplating an investment in the country are likely to rethink their plans. The military crackdown has harmed Thailand's image, it warned.

Thailand has had an important role in the Japanese corporate strategy of relocating manufacturing operations to low-cost south-east Asian sites. Japan's direct foreign investment was \$1.28bn in fiscal 1989 and \$1.16bn in 1990, sharply up on the \$124m of 1988.

Japan accounts for about a quarter of all the country's inward direct investment, followed by the US, Taiwan, Hong Kong and the UK. Thailand has also become a leading trade partner for Japan, with exports to Thailand rising 3.4 per cent last fiscal year to \$9.4bn and imports from Thailand 26.6 per cent higher at \$5.2bn, with a significant percentage of the increase being components for Japanese products exported to third countries.

Matsushita Electric Industrial, the electronics company, has four factories in the suburbs of Bangkok and two sales offices in the city. It said that factory production has not been disrupted, but "there has been some disturbance to our sales activities".

"We think the situation is not very serious, but we are watching closely. According to our previous experiences, the Thai people know when to pull back during times of upheaval. We expect that the protests will stop soon," it said.

Toyota Motor, the leading car maker, runs three factories and a sales company in Thailand, which is central to the company's strategy of produc-

ing components in a range of south-east Asian countries to create a regional car.

"We are continuing to run our factories, but long-term political stability is important to the success of our operations," the company said. British companies with interests in Thailand echoed similar sentiments. "The Thais have done well up until now. But if they blow this one they'll be turning the clock back," said one UK businessman with extensive investments in the region. "We managed to brush off last year's coup, but this latest incident goes much further," he added.

Although Germany is by far the leading EC exporter to

"Companies already doing business in Thailand are unlikely to pull out, but those selecting a site for investment in that region may think again," a Keidanren official said.

Thailand, the UK is becoming more important as a trading partner. UK exports in 1991 were \$483.5m (\$830m), up from \$410.5m the previous year. Main exports included machinery and transport equipment - totalling \$219.5m in 1991. UK imports from Thailand were \$625.4m from \$494m.

Historically, Thailand has not been a starting point for British companies seeking a toe-hold in south-east Asia, but that has changed over recent years. Bangkok's British Chamber of Commerce is now said to be one of the most active in the world, with more than 250 members.

Mr Iain Dale, chief executive of Yorkshire-based Dale Electronics, which has an office and a factory in Bangkok, said: "Thailand must offer stability to investors."

Dale's offices, which are on the Airport Road, and its factory in the capital's Yannawa district, have been closed "because our 50 employees there would have had to have fought their way to work," Mr Dale said. "We'll decide on Thursday when to re-open them." Dale manufactures

power generating equipment, and Thailand accounts for about \$3m of the group's annual turnover of \$55m.

Shell, the oil major which has 1,400 employees in Thailand and last year generated revenues of Baht38.5bn (\$244m) there, said operations had not been affected.

BICC, the engineering and construction group, recently completed the \$7m international trade centre in the capital and is currently working on a building of similar size for Thailand's biggest newspaper. It also has a \$5m cabling contract with the Bangkok post and telecommunications authority. The company said: "We will be watching carefully events in the country."

Wall Street analysts said most US interests in Thailand were in manufacturing plants - assets that could not be liquidated quickly. US companies with operations in the country were, therefore, likely to wait until the situation had become clearer before taking any longer term decisions.

The two closest and country funds quoted on the New York Stock Exchange, Thai Capital Fund and Thai Fund, showed no significant initial reaction to the violence in Bangkok, although one fund manager privately expressed concern that if the troubles persisted the long-term commitment of US investors could suffer.

Far East equity analysts in New York also noted that interest in Thailand among US investors had levelled off, and perhaps even declined, since the coup last year.

The most immediate impact was being felt by world airlines and holiday companies, in the light of advice by several western governments that its nationals should avoid travel to Bangkok. British Airways suspended flights for 24 hours. KLM, the Swiss-owned tour operator, stopped operations into Thailand for a day because of difficulties in moving people to hotels from Bangkok airport.

By Robert Thomson in Tokyo, Andrew Slade and Andrew Taylor in London and Patrick Barnerson in New York.



Relative of a missing demonstrator weeps outside Bangkok's Police School detention centre yesterday as a soldier stands guard

## Defiant remnant of Kurds go to vote

SOUTH of the city of Arbil on a rolling plain that leads to Baghdad lies a scattering of settlements known as Qushaba. Yesterday its school became a polling station for elections organised by the Kurdistan Front, the guerrilla coalition administering 50,000 sq km of northern Iraq. First in the queue of 400 women was Mrs Sharva Abdulah, who had arrived at 7am, an hour before the polls opened. She wore the abaya, the traditional black veil. Nine years ago her husband and seven sons, aged from 14 to 25, were taken in a dawn raid by soldiers of Iraqi President Saddam Hussein. They, and 4,000 other men from this area, have not been seen since.

Part of the spout of Qushaba is Qadisia, an attractive village built around 1978 by members of the Barzani clan after their forced relocation from tribal lands further north after Baghdad crushed a Kurdish revolt led by the head of the clan, Mullah Mustafa Barzani. The adult inhabitants are almost all women.

Mrs Aisha Osman, who said she was around 40 years old, sat huddled in a shawl as she spoke through an interpreter.

Gareth Smyth reports from Arbil in northern Iraq

in one of the two rooms she shares with five children and two grandchildren. She explained how in 1983 soldiers came at dawn and rounded up all the men, including her husband. "They took blind men, old men and handicapped men," Mrs Osman now works in the fields all day "like a man" for 10 dinars (70p), enough to buy a kilo of rice.

In another house Mrs Hargaz Mullah, aged about 50, keeps a picture of two sons in pride of place on the wall. Her sons were seized in 1983. Two other sons, then aged seven and 15, escaped because they hid in a shelter built against Iranian air raids; she said they are now bodyguards to Mr. Massoud Barzani, son of Mullah Mustafa and leader of the Kurdistan Democratic Party (KDP), one of the two main parties contesting the elections.

The Barzani women of Qushaba voted for the KDP yesterday, not because they prefer the party's policy of "autonomy" over the "self-determination" advocated by Mr Jalal Talabani's Patriotic Union of Kurdistan (PUK). Mrs Osman said she didn't mind if Mr Barzani did not win - "we just want to be Kurdish".

There were still long queues outside voting stations at 8pm local time. Mr Hoshyar Zebari, a leading member of the KDP, said last night that "the high turnout is a challenge to the Iraqi government". But he went on: "We do not want an independent state in northern Iraq. We are the victims of the theory that we are undermining the sovereignty of Iraq. The Kurds can play an important role in removing Saddam Hussein, but we are not going to be pitted against Saddam's army without support." The minimum condition for an autonomy agreement with Baghdad was that "our people feel they can live in peace".

Qushaba school is one of 174 polling stations. Over 1m Kurds were expected to have voted for national lists drawn up by seven parties, of which the KDP and PUK are the most popular.

A second ballot, for president, was contested by Mr Barzani and Mr Talabani, along with Mr Mahmood Osman of the Socialist Party and Mullah Othman Abdul Aziz of the Islamic Movement. If no-one gains 50 per cent there will be a second ballot in two weeks.

The result of the elections will be known today or tomorrow. The new Iraqi Kurdistan administration will have to deal with the complex problems of a region which bears the scars of decades of disruption, war and repression. It will face tensions between attempting to satisfy the aspirations of Kurdish nationalism and allaying the fears of Iran and Turkey that the developments may encourage Kurdish separatism there.

Barely 5km south of Qushaba is the front line between Kurdish guerrillas and the Iraqi army. Pashmgar guerrillas led by Mr Mosin Maulud, local field commander, two months ago killed eight Iraqi soldiers who tried to capture a telecommunications tower behind Kurdish lines. Yesterday, in contrast to the hubbub at Qushaba polling station, it was, for the time being at least, all quiet on the front.

## Judge orders arrest of Imelda Marcos

By Jose Galang in Manila

THE ARREST of Mrs Imelda Marcos, the once-powerful widow of deposed Philippine dictator Ferdinand Marcos, was ordered yesterday by a Manila judge.

Judge Teresita Flores issued the order after Mrs Marcos failed to appear at an arraignment in connection with charges of failing to report foreign exchange deposits abroad.

Mrs Marcos had been accused by the government of having conspired with her late husband in looting the economy while they were in power.

She had declared she would defy the courts in protest against what she described as "systematic cheating" in the May 11 election where she ran as one of seven presidential candidates.

She ranked fifth in the vote-counting yesterday. Analysts never gave her any chance of winning despite her claim of residual support in the rural areas.

Last Monday, she also snubbed a hearing at another court. The judge in that court gave Mrs Marcos until June 1 to explain why she was unable to appear at the hearing.

## Pro-Beijing party formed in HK

By Simon Davies in Hong Kong

A NEW dimension was added to Hong Kong politics yesterday with the formation of a pro-Beijing party, the Democratic Alliance for Betterment of Hong Kong.

The party, which is headed by Mr Tam Yiu-chung, a vocal left-wing legislative councillor, has been funded by pro-Beijing and mainland Chinese companies. But a spokesman was adamant the party is "in no way controlled by China".

Other politicians were less convinced but considered it a positive development that pro-

China interests were coming out into the political forum, "rather than just pulling strings in the background".

Mr Tam, who is vice-chairman of the pro-Beijing Federation of Trade Unions, said the group was strongly committed to the reintegration of Hong Kong with China, but it also supported the principle of "Hong Kong people governing Hong Kong".

One of the ultimate stated objectives of the organisation is "the chief executive and all members of the legislature being selected by popular election", but there was some cynicism concerning the time-

frame for such a move.

Mr Lee Wing-tat, legislative councillor and spokesman for the United Democratic Party, described the claims of the new political group as "just a gesture".

He said "on general domestic policy they may have a free hand. But on sensitive issues they will have to hear the voice of Beijing". Under current plans, only 20 seats, or one-third of the Legislative Council, will be directly elected in the 1995 elections.

The pro-Beijing lobby performed poorly in Hong Kong's first direct elections in September 1991.

## US 'clarifies' Palestinian refugee stance

By Hugh Carnegie in Jerusalem

ISRAELI, yesterday expressed satisfaction over a statement by the US that a United Nations resolution asserting the right of return for Palestinian refugees was not part of the terms of reference for the Middle East peace negotiations.

The government had pressed Washington for such a public statement after Ms Margaret Tutwiler, the state department spokeswoman, announced last week that the US supported UN Security Council Resolution 194, adopted in 1948, which included the right of return, or compensation, for Palestinian refugees.

Although not a change in official US policy, Ms Tutwiler's announcement aroused alarm in Israel. Mr David Levy, the foreign minister, said Ms Tutwiler's statement amounted to an obstacle to the negotiating process if it was not "clarified".

Ms Tutwiler said on Monday that the only UN resolutions included in the terms of reference for the peace process were resolutions 242 and 338, which envisage Israel surrendering Arab territory in exchange for peace and a "just" - but unspecified - solution for the 2.5m refugees.

## NEWS IN BRIEF

## Gulf states see first democracy forum

DEMOCRATS from five Arab states have set up the Gulf's first movement to promote democracy and freedom of expression across a region where political parties are banned. Reuter reports from Kuwait.

The Gulf National Forum (GNF), created at a meeting in Kuwait this month, groups academics, businessmen and professional people from Saudi Arabia, Bahrain, Kuwait, Qatar and the United Arab Emirates. It said it would act as a public advocacy group to promote and defend human rights, democracy and basic freedoms in Gulf Co-operation Council states.

Five Moroccan opposition parties have joined in a new bloc called the Democratic Front ahead of general elections slated for this year.

## Israelis and Palestinians meet

Israeli and Palestinian delegates discussed their region's environmental problems face-to-face for the first time at an international meeting in Tokyo which ended yesterday. Reuter reports from Tokyo. Participants agreed to convene the next meeting in the autumn in the Netherlands.

## Nigeria fighting kills up to 300

Up to 300 people have been killed in two days of religious and ethnic fighting in northern Nigeria, according to diplomats in the troubled city of Kaduna, Reuter reports from Lagos. One diplomat said: "I saw mortuaries and hospitals filled with the injured and corpses, some beaten beyond recognition."

Police meanwhile arrested Dr Beko Ransome-Kuti, a leading human rights activist, after he made anti-government remarks. He is the brother of Mr Olikoye Ransome-Kuti, health minister.

## Afghans free Russian prisoner

The Islamic government that ousted the Soviet-installed Afghan regime released a Russian prisoner of war yesterday, calling it the first step toward ending a decade of hostility between two neighbours, AP reports from Kabul.

# Keating unable to dispel image of government in turmoil

After the resignation of a key ally, Australia's prime minister must wonder if his luck has run out, writes Kevin Brown

MR PAUL KEATING, Australia's prime minister, offered no promises when Labor MPs installed him in place of Mr Bob Hawke in December. Like everyone else, Mr Keating knew that winning the next election would require at least as much luck as leadership.

Until April, he appeared blessed with both as Labor's opinion poll rating surged to within one percentage point of the conservative Liberal National party opposition, compared with a deficit of 18 points in December.

But the recovery has evaporated in the face of renewed debate over the government's handling of the economy, and growing doubts about the prime minister's political judgment. The latest Newspoll, for yesterday's Australian newspaper, put Labor 12 points behind the conservatives.

Five months into his premiership, Mr Keating has sharpened Labor's image and taken the attack to the

conservatives. But he must be wondering if his luck has run out.

His most pressing problem is the resignation of Senator Graham Richardson, a key Labor power broker, over his relationship with an Australian businessman facing forgery charges in the Marshall Islands.

Mr Richardson is a long-time political ally of Mr Keating, and was regarded as one of the most influential members of the government. He denies any impropriety over the Marshall Islands affair, but admits writing a reference for the businessman and telephoning the Marshall Islands government on his behalf.

The affair is especially damaging for the government because it has refocused attention on the relationships between Labor leaders and failed entrepreneurs such as Mr Allan Bond and Mr Laurie Connell, head of the collapsed Rothwell's merchant bank.

The opposition is now trying to prove that Senator Gareth Evans, the foreign minister, was also

involved in the Marshall Islands affair, which it claims is a prime example of Labor cronyism, known in Australia as "mateship".

Mr Keating may also have been damaged by revelations that he blocked attempts by a royal commission in Western Australia to investigate the tax records of state politicians and local businessmen accused of corruption.

Mr Keating later backed down, but the public row with the commission left the impression that he had been trying to shield state Labor leaders from potentially embarrassing revelations in another example of mateship.

With hindsight, the turning point for Mr Keating appears to have been Labor's defeat by a protectionist independent candidate in a by-election in mid-April in Mr Hawke's former constituency of Wills, a down-at-heel Melbourne suburb. The government remains commit-

ted to opening Australia's economy through tariff reductions, cuts in subsidies and deregulation. But the by-election defeat showed how much the pain of economic restructuring is resented in industrial seats like Wills, most of which tend to be held by Labor.

Wills also showed how much the government has been hurt by an 18 month recession triggered by high interest rates. Mr Keating will get some credit from voters for the recovery which is now under way, but many will also remember that he was treasurer (finance minister) when the recession began.

Perversely, the recovery is also causing problems for the government because it has been accompanied by a dramatic fall in inflation to a 30-year low of 1.7 per cent. Low inflation may be beneficial for the economy in the long run, but falling interest rates have provoked squeals of anguish from the large numbers of retired people living off the interest on their savings.

Low inflation has also put a question mark over the government's ability to deliver substantial tax cuts promised after the next election, due by mid-1993. The cuts were to be funded mostly from the proceeds of tax indexation, commonly known as bracket creep. But the unexpectedly rapid fall in inflation means the bracket creep windfall will virtually disappear.

The government cannot borrow to finance the cuts because the forecast budget deficit for the year to June has already increased from A\$4.7bn to A\$9.3bn (\$3.97bn), leaving it little room to manoeuvre if it is to achieve its target of returning to surplus by 1996.

Meanwhile, it looks as though an A\$2.3bn fiscal stimulus announced in February may fail to reduce unemployment to below 10 per cent before the election.

Mr Keating has had some success in distracting attention from the economy by throwing his weight behind Australian nationalists seek-

ing the abolition of the monarchy and the removal of the British Union Jack from the top left quarter of the Australian flag.

However, he has been forced to drop the flag campaign in the face of signs that it is proving counter-productive. In the latest poll in the Bulletin magazine, support for change has fallen to 31 per cent, compared to 33 per cent eight years ago.

Despite the setbacks, Labor remains better placed to fight the election than it was under Mr Hawke, whose government had become directionless and demoralised by factional infighting. Party officials claim that most of the problems will be forgotten as the economy recovers. If they are right, Mr Keating may yet pull off a record fifth successive election victory.

But the danger for Labor is that he will be unable to dispel the image of a government in turmoil. And that could permanently derail the party's recovery.

مركز الصحافة

# Defiant remnant of Kurds go to vote

**S**ome 100,000 Kurds, who were expelled from their homes in northern Iraq in 1988, are expected to vote in the upcoming general election in Iraq. The Kurds, who are the largest ethnic group in Iraq, have been living in refugee camps in northern Iraq and in other countries. They are now being encouraged to return to their homes and participate in the election. The Iraqi government has announced that it will accept the votes of the Kurds who return to their homes. This is a significant step towards reconciliation and the rebuilding of Iraq.

## Gareth Smyth reports from Baghdad

The Iraqi government has announced that it will accept the votes of the Kurds who return to their homes. This is a significant step towards reconciliation and the rebuilding of Iraq. The Kurds, who are the largest ethnic group in Iraq, have been living in refugee camps in northern Iraq and in other countries. They are now being encouraged to return to their homes and participate in the election. The Iraqi government has announced that it will accept the votes of the Kurds who return to their homes. This is a significant step towards reconciliation and the rebuilding of Iraq.

## The new Munich Airport and Lufthansa are waiting to serve you.



Germany's location, right at the heart of the New Europe, makes it the ideal stepping-stone for your European travels. And nothing illustrates this better than flying Lufthansa via the brand new Munich Airport, which opened on May 17th. From Europe's most modern airport, we can fly you on throughout Germany. Or to 48 other European cities, including all the major

destinations in Eastern Europe. And while you're with us between flights, you'll find our ground staff waiting to help you on your way. So whether you choose to fly with us via Frankfurt or the new Munich Airport, you'll discover there's only one way to visit Europe. And that's with the airline that always believes in offering you "simply that little bit more".



# Lufthansa

## NEWS: WORLD TRADE

## Japan may face dumping duties on vans in US

By Nancy Dunne in Washington and agencies

THE US Commerce Department yesterday ruled that Japanese carmakers have sold minivans in US markets at less than fair value. In a ruling which clears the way for punitive duties on Japanese minivan imports, the Commerce Department said Mazda sold minivans below fair value by 12.70 per cent. Preliminary estimates had put the dumping level at 7.19 per cent.

Toyota was found to have underpriced its minivans by 8.75 per cent, the preliminary dumping estimate was 0.95 per cent. All other vehicles were found to have been underpriced by 9.88 per cent, up from 4.23 per cent in the preliminary investigation. The department makes the estimates on the basis of a fair market value formula.

The complaint now moves to the US International Trade Commission, which is expected to rule by the last week in June on whether the alleged dumping has hurt US industry.

An ITC spokesman said a finding of injury was by no means "a foregone conclusion". Before dumping duties can be imposed, the US carmakers must prove they have been hurt as a result of the "dumped" minivans rather than the recession or American preferences for Japanese vehicles. Injury has been found more often than not in dumping complaints.

The big three US car companies - GM, Ford and Chrysler - asked for the dumping investigation a year ago. They said Japanese minivan exports to the US had soared to \$1.2bn (8970m) in 1990. They asked for dumping duties of almost 30 per cent.

After the Commerce Department issued its preliminary findings, Japanese carmakers raised prices and the US carmakers share of the minivan market increased, analysts said. Mazda and Toyota are the big sellers in the US minivan market. Mitsubishi's sales volume is considered minimal, and Nissan discontinued minivan sales in the US.

## US group to put millions into European factory

By Ian Hamilton Fazey, Northern Correspondent

MORTON International, the US chemicals and car components group, is to invest "hundreds of millions of dollars" in a European factory making emergency airbags for cars. The project will create 1,700 jobs by 1995, rising to 3,000 in five years, the company said.

It will be a joint venture with Robert Bosch, the German engineering group, which will make the sensing and diagnostic equipment to trigger airbag inflation designed to protect passengers in a car crash.

Morton, which claims US market leadership in the field, will make the bags. The company's initial list of 100 potential European locations will be cut to three or five in July.

Two UK sites are contenders, one in Clwyd, north-east Wales, the other in Consett, Co Durham.

Mr Nancy Hober, head of corporate communications at Morton's Chicago base, said yesterday: "We have spent \$300m (£170m) developing this market in the US and would expect the European investment to be of a similar order."

The Clwyd site is near Toyota's new factory near Chester and Wrexham; Consett is within a few miles of Nissan's Sunderland plant. Both have good motorway links to other carmakers in Britain. Morton has a chemicals operation in Germany, also a contender for the factory because of the size of the German car-making sector and the Bosch connection.

## Hungary: robust little exporter in heart of Europe

Comecon's failure has been a spur, Nicholas Denton in Budapest and Anthony Robinson in London write

AGAINST the odds, Hungary has emerged over the past 15 months as a modest but robust export machine in the heart of depressed central Europe.

Exports to developed western markets rose an unprecedented 31 per cent last year with a further 13 per cent rise in total exports over the first quarter of 1992 compared to the same period last year.

This came despite a marked economic slowdown in the European Community, an effective revaluation of the forint and 35 per cent domestic inflation.

The export drive which saw hard currency earnings soar to \$10.2bn (£5.7bn) last year from \$5.3bn in 1990 is born out of desperation. Like other former Comecon members, Hungary has faced depressed domestic demand and the collapse of trade with the Soviet Union. The volume of exports to eastern Europe fell by 60 per cent last year, giving many companies a bleak choice: find new, western customers, or go to the wall.

Even Korus, the lumbering volume busmaker which supplied all of Comecon from plants in Hungary and used to sell 80 per cent of its output to Moscow alone, has turned further afield and won major orders from Taiwan, Turkey and Iran.

Under the old Comecon division of labour, Hungary specialised in buses, pharmaceutical products, foodstuffs, especially fruit, wine and vegetables, and engineering products, includ-

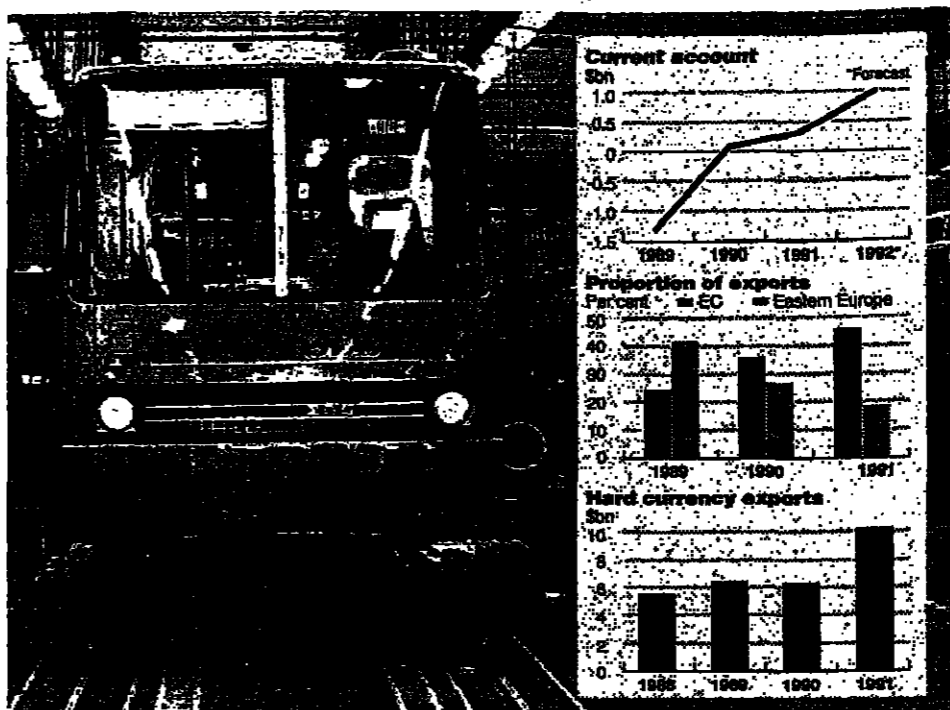
ing consumer goods such as lightbulbs and electronic equipment.

The collapse of Comecon has forced exporters to try to upgrade this existing product range where possible for western markets. For some, like the Videoton consumer electronics enterprise, the competition proved overwhelming. But between 1990 and 1991, the share of exports going to EC markets doubled while the share going to eastern Europe halved.

Last year, the former Comecon states took only 19 per cent of Hungary's exports, making it the least dependent on this once-dominant market. Many Hungarian economists caution that overstretched companies have redirected as much production as they can and argue that the pace of export growth to the west is unsustainable.

For the past three years, however, hard-currency exports have far exceeded expectations, pointing to a deeper, continuing transformation. Improved access to western markets has played a part. The free trade accord at the heart of Hungary's association agreement with the EC began to take effect earlier this year. But EC trade barriers will be removed most slowly in three areas where Hungary has the strongest comparative advantage: food, textiles and steel.

A paper presented at the recent European Bank for Reconstruction and Development's annual meeting in Budapest even suggested that



some exporting sectors such as textiles could actually be worse off under the association agreement than under the generalised system of preferences which previously applied. Hungary calculates that export growth attributable to the association agreement could be only \$100m-\$200m a year.

It is foreign investment and the opening of Hungary to sophisticated EC imports which is making the real difference. Foreign machinery and investment have flowed into

the country in response to liberalisation, rapidly improving the competitiveness of Hungarian goods.

Finex, a small locally-owned foreign trader, shows how a little investment can go a long way. The company exported about \$125,000-worth of frozen raspberries last year to a German wholesaler, earning more than the \$100,000 spent importing the frozen raspberries.

This year, the company plans to more than double deliveries and is trying to

diversify into selling frozen ready-cooked meals to Sweden, all from the same machine.

Sometimes, investment has even greater leverage on exports. One of Mr Gabor Varszegi's innovations at Ajka Crystal, the glassmaker he took over at the end of 1990, was to publish a catalogue, the first in 40 years.

That little project helped Mr Varszegi, Hungary's leading entrepreneur, to double Ajka's export sales in the first year of private ownership, with 75-80

per cent earmarked for export. Mr Bela Kadar, minister of international economic relations, estimates that foreign investment, which reached \$3.6bn by the end of April, produces additional exports worth half that amount annually.

Production for export remains competitive despite poor transport links and an approximate 10 per cent effective revaluation of the forint over the past year largely because labour costs are, according to General Motors of the US, a tenth of west German levels.

GE, the US corporation which became the first big foreign investor when it bought Tungsram in 1989, complains that failure to allow the forint to devalue in line with last year's 35 per cent domestic inflation rate has badly affected its cost structure. But that has not stopped GE basing its worldwide production of compact fluorescent lamps in Hungary or stepping up its research and development activity to take advantage of lower costs.

Much new investment capacity will come on stream this year, as GM begins production of engines. Ford starts producing motor components and new model Swift compact cars start rolling off Suzuki Motor Corporation's new assembly lines in western Hungary.

Initially, however, only 30 per cent of Suzuki's output will be local content because of the slowness of local enterprises in adapting to rigorous Japanese quality standards.

## EC threat to banana exporters

LATIN American exporters of bananas to the EC could face cuts under the European Commission's latest plans to protect its traditional, mostly Caribbean suppliers, David Gardner reports from Brussels.

Last month, Brussels imposed quotas on so-called "dollar zone" banana exporters, plus a 20 per cent tariff, ahead of next year's single market. Central America, Colombia and Ecuador provided three-fifths of the EC's 3.4m

tonnes consumed in 1990.

The assumption was that this would now be consolidated, with an extra 3 per cent a-year "dollar" quota to accommodate rising consumption. EC suppliers from outlying areas such as France's Martinique and Spain's Canary Islands, and from Caribbean and African producers linked to the EC by the Lomé Convention, would have their higher-cost produce protected.

Brussels' latest view on the quotas (in a document to be

sent to interested parties) is more restrictive than expected.

"From a Latin American point of view, it's fairly much a disaster," one observer said. Under scenarios listed, "dollar zone" producers would have only 1.4m tonnes (two-thirds of what they supply now) guaranteed. An extra 900,000 tonnes would be licensed out to "dollar zone" and traditional suppliers, as would 3 per cent annual increments thereafter. A decision is not expected before July.

## Disk-drive plant goes to Ireland

TWO leading disk-drive makers, Matsushita-Kotobuki (MKE) of Japan and Quantum Corporation of the US, are to open a factory in Ireland as their European market base. Tim Coome reports from Dublin. MKE makes 40MB to 240MB hard disk drives in Japan, while Quantum markets them to personal computer makers. European sales top £250m (£227m) a year (35 per cent of Quantum's world market). The plant should be on stream by autumn.

## UK-led group in deal to run Romanian TV station

A UK-led consortium has won the right to operate one of Romania's two TV channels, representatives of the group, led by Atlantic Television, said after signing the deal yesterday. Virginia Marsh reports from Bucharest. The new station, Channel 2 TV Romania, will be the first national commercial TV channel in the former Soviet bloc.

Mr Robin Edwards, managing director of Atlantic Television, a Canadian-registered

company, and a non-executive director of Westcountry Television of the UK, said the station would "set the standard" for other ex-Comecon countries. The deal gives the new channel, a joint-venture company allocating a 20 per cent stake to Radio Televiziunea of Romania, broadcasting rights for 15 years. Conceived as non-political, it will import half its programmes from the west. Atlantic hopes it will be on air by the end of the year.

## THE FT ESSENTIALS RANGE

(As essential as the FT itself.)

The exclusive FT Essentials range (part of the FT Collection) could only have come from the Financial Times. Our experience ensures that everything is designed to make the right impression in terms of elegance and efficiency.

We've combined the finest materials and craftsmanship with a total practicality that's appreciated in today's business environment. Each product is lined in FT-pink moiré silk and is available in superb black leather.

FT Essentials provide an excellent choice of business accessories from the immaculate FT Travel Organiser to a handy FT Memo Pad for quick notes. As part of the FT Collection their quality is beyond doubt.

The FT Meetings Folder comes in a sleek black leather case with FT-pink moiré silk lining and gilt corners. It has two pockets, an A4 FT-pink paper pad and a pen loop. (230mm x 320mm x 12mm thick).

The FT Credit Card Case incorporates plastic pouches for up to 10 cards and a leather pocket for records of credit card transactions. It has a black leather case with FT-pink moiré silk lining. (82mm x 110mm x 5mm thick).

The FT Jotter/Calculator Wallet has a solar calculator on a magnetic base, a jotter with FT-pink paper and a ballpoint pen. It has a black leather case with a clasp and gilt corners and is lined with FT-pink moiré silk. (82mm x 110mm x 5mm thick).

The FT Business Card Case has three turned leather pockets that will comfortably hold 30 cards. It has a black leather case lined with FT-pink moiré silk. (82mm x 110mm x 5mm thick).

### FT COLLECTION - A QUALITY PROPOSITION

What we've shown here is but a small sample of the FT Collection, so why not send for the FT Collection colour catalogue and see for yourself? It is packed with many invaluable business essentials from diaries to document cases. Contact us now on 071-799 2274 or write to FT Collection, FT Business Information, 50-64 Broadway, London SW1H 0DB or send your business card.

### FIRST IMPRESSIONS THAT LAST

All items will be doubly welcome if they are personalised with initials in high quality gold blocking. This kind of personal touch enhances the pleasure and the worth to the user.

### THE WORLD'S MOST APPRECIATED BUSINESS GIFTS

Our business gift services include: • Gold blocking of your logo • Up to eight publicity pages in the diaries and personal organiser • Direct despatch to the recipients together with your compliments slips or greetings cards • Samples.

### LARGE ORDER DISCOUNTS

Order 25 items or more from the FT Collection and you will qualify for discounts of up to 25%. Contact us now on 071-799 2274 for more details on our business gift services.



**ORDER FORM** 301032

Please tick where applicable.

☐ Please send me the FT Collection catalogue.

☐ I am interested in using the FT Collection as business gifts, please send me details.

☐ I wish to place a firm order as detailed below.

Name (Mr/Ms/Ms/Ms) \_\_\_\_\_

Position \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

Postcode \_\_\_\_\_

Telephone \_\_\_\_\_

**FOR YOUR FREE FT COLOUR CATALOGUE RING 071-799 2274 NOW!**

How to complete your order

1. Indicate the quantity and type of product you require.

2. Indicate how many items you wish to have gold blocked with your initials.

Please return to:

FT Collection,

FT Business Information,

50-64 Broadway, London SW1H 0DB.

Tel: 071-799 2274. Telex: 527282 FTINT G.

Fax: 071-799 2288.

PRODUCT	CODE	QTY	UNIT PRICE (incl. VAT)	QTY	EUROPE	REST OF THE WORLD	SUB TOTAL
ESSENTIALS							
Meetings Folder	MF		44.80		41.75	44.55	
Credit Card Case	CCC		11.37		9.80	9.99	
Jotter/Calculator Wallet	JC		19.04		16.45	16.75	
Business Card Case	BCC		14.37		12.25	12.35	
PERSONALISATION							
Initials Only	I		2.47		2.10	2.10	
TOTAL							

All prices shown are inclusive of postage and packing. Products may differ slightly from those shown.

**HOW TO PAY:**

BY PHONE. You can pay by credit card by placing your order on our Credit Card Order Line 071-799 2274.

BY FAX. If you wish to pay by credit card you can fax this order to us on our Credit Card Fax Order Line 071-799 2268.

BY MAIL. Return the order form with your payment to the address given above.

Payment must accompany your order, and cheques should be drawn on a UK bank account made payable to "FT Business Information".

Tick method of payment: ☐ Cheque ☐ Money Order ☐ Access ☐ Visa ☐ Amex ☐

Card No. \_\_\_\_\_

Expiry Date \_\_\_\_\_

Please complete, as your order may be returned if expiry date is not shown. If the billing address differs from the above, please notify us.

For further information on business gift orders please ring 071-799 2274. The information you provide will be held by us and may be used to keep you informed of other FTB products and may be used by other selected quality companies for making fast purposes.

Cardholder's Name (Block Capitals) \_\_\_\_\_

Cardholder's Signature \_\_\_\_\_

**FT BUSINESS INFORMATION**

## Thrilling performance. Razor-sharp handling. Rather good contract hire and leasing scheme.



### • Tighter road control.

Everything pales in comparison with the Peugeot 405. Its outstanding ride and road-holding make it the most exciting car in its class. And recent refinements across the range (which includes petrol, diesel and estate models) make it one of the best equipped.

### • Tighter financial control.

Our contract hire and leasing scheme on the 405 is, however, very attractive in its own way. It means your valuable capital is not tied up in depreciating assets. Furthermore, as you can see from the table, our rates are highly competitive.

### A RANDOM SELECTION OF PRICES

MODEL	MONTHLY RENTAL	TERMINAL RENTAL	CONTRACT HIRE/ MONTHLY RENTAL
405 Style 1.6	\$216.60	\$3341.00	\$262.71
405 Style Diesel	\$202.14	\$4630.00	\$236.21
405 GL 1.6	\$243.97	\$4122.00	\$277.28
405 GLDT	\$243.90	\$5719.00	\$276.23
405 Style Diesel Est	\$217.51	\$5212.00	\$249.16

### • Back-up.

Of course, you can always rely on the nationwide network of Peugeot dealers to service and maintain your car.

### • Ring up.

For more details, ring your local dealer. You'll find the number in your Yellow Pages.

**Peugeot Contract Hire & Leasing**

THE LION GOES FROM STRENGTH TO STRENGTH

MONTHLY RENTALS QUOTED FOR A 3 YEAR CONTRACT, 45,000 MILES IN TOTAL, BASED UPON 3 RENTALS IN ADVANCE FOLLOWED BY 25 RENTALS A MONTH. A TERMINAL RENTAL IS REQUIRED AS SHOWN FOR FINANCE LEASE ONLY. ALL RENTALS ARE SUBJECT TO VAT FOR BUSINESS USERS ONLY. PRICES CORRECT AT DATE OF PUBLICATION.

هكذا صنعنا القليل

Controversial sleeping pill seen as safe at low doses

## Sales of Halcion given go-ahead by FDA panel

By Karen Zagor in New York and Paul Abrahams in London

**HALCION**, the controversial sleeping pill made by Upjohn, has been found by an advisory panel to the US Food and Drug Administration (FDA) to be safe and effective at low doses.

The panel recommended that the world's best-selling sleeping drug remain on the market in the US, in spite of studies showing that it produces higher rates of anxiety and memory impairment in some patients than similar drugs.

The FDA is not obliged to follow the panel's recommendations but is expected to abide by them and allow Halcion to remain on the market. Upjohn believes a final decision could be made within two to six weeks.

The panel said data did not confirm concerns that Halcion induced a substantially higher rate of side-effects, particularly memory loss and depression. It was these fears that led to the drug being banned in a number of countries, including the UK.

The drug has been banned in Norway, Finland, Bermuda and Argentina. Restrictions have been imposed on dosing levels in France and Spain. A German Health Ministry panel has not yet reported.

In the UK, a final decision on the ban is expected by the start of next week, according to Upjohn.

Although the UK accounted for only a small part of Halcion's sales, the ensuing publicity hurt the drug's sales around the world. These

declined by 39 per cent during the first quarter of this year.

Last year Halcion accounted for \$237m (£133.8m) of Upjohn's \$3.4bn sales. Shares in the company firmed 5% to \$35% at midday yesterday on the New York Stock Exchange. The stock was trading at about \$47% before Halcion sales were suspended in the UK last September.

In November Upjohn agreed to relabel and repackage Halcion in smaller quantities following discussions with the FDA.

At the FDA panel meeting, the company said it would conduct a study of 10,000 patients in a further attempt to allay fears about the drug's safety.

The study is expected to be completed by January 1994.

## Mulroney to pursue tough line on trade

By Nancy Dunne in Washington

**CANADIAN** Prime Minister Brian Mulroney visits the White House today in a climate marred by bitter trade disputes and concern that the US is drifting deeper into isolationism.

It is just seven years since President Ronald Reagan and Mr Mulroney sang "Gee, You're Smiling" together and swore their mutual allegiance to the free market. But clearly the world no longer seems "so bright and gay". Mr Reagan has left centre stage and - if the polls are correct - Mr Mulroney and President George Bush soon could be joining him in political retirement.

Mr Mulroney seems to find Mr Bush no less genial personally than his predecessor, but the political realities dictate a tougher line on trade from Ottawa.

However, the atmosphere will be lightened by a US Commerce Department decision last week to cut its proposed countervailing duty on Canadian softwood lumber from 14.8 per cent to 6.51 per cent.

Mr Derek Burney, Canadian ambassador to the US, said the move would "help lower the temperature", but insisted the ruling was "a tortured attempt to manipulate the facts in order to substantiate a pre-

ordained result". The case will head the list of trade grievances, along with skirmishes over duties on Canadian-made Hondas, beer and magnesium.

The Uruguay Round of trade liberalisation talks is also on the agenda.

Mr Mulroney would request "the same kind of flexibility" on agriculture trade talks that the US was demonstrating toward the European Community, Mr Burney said.

There are two new problems to discuss. The White House last week requested a dispute settlement panel under the Free Trade Agreement to investigate Canada's wheat pricing methods. Mr Mulroney may now request a panel to examine US agriculture export subsidies.

The Canadian prime minister is also expected to emphasise the necessity of US leadership on aid to the former Soviet Union, in advance of Russian President Boris Yeltsin's visit to Canada and the US in June.

Canadian officials stress that Ottawa has contributed more than \$2bn in aid to the region - about 40 per cent of the US contribution - when the US economy is 10 times larger.

The looming Group of Seven summit in Bonn is on the agenda, along with talks on the North America Free Trade Agreement and the Earth Summit.

## US banks face probe into racial lending

By Alan Friedman in New York

**FEDERAL** banking regulators are investigating the lending records of 368 US banks suspected of having discriminated against customers from minority groups.

The Office of the Comptroller of the Currency (OCC), which regulates a number of federally chartered banks, said yesterday the banks had been asked to reply to Washington by the end of the week.

"We have been investigating for several months and a number of banks have received letters saying we are looking into racial disparities in lending," an OCC official said.

The OCC said the mortgage lending records were being scrutinised after officials found a disproportionate rejection rate by some banks of mortgage applications from minority groups such as black and Hispanic Americans.

The practice is known colloquially as "redlining," a term based on the notion of bankers drawing a red line on a map around neighbourhoods they do not wish to lend to.

Other federal bank regulators also examining the issue include the Federal Reserve Board and the Federal Deposit Insurance Corporation (FDIC).

If the OCC decides that a bank is guilty of discrimination it may employ a series of sanctions, ranging from administrative or civil penalties to limiting the institution's ability to expand its operations or open new branches.

● The Bank of Boston, one of the leading banks operating in the depressed New England economy, has claimed it will make \$3bn (£1.6bn) of new business loans over the next five years in an effort to stimulate the region's economy.

Banking analysts are sceptical, however, that the bank can fulfil such a forecast. The bank described the claim as a projection of loan demand, rather than an actual commitment to make the loans.

## Privatisation pioneer goes one further

Mexico, writes Damian Fraser, is handing over the provision of basic public services

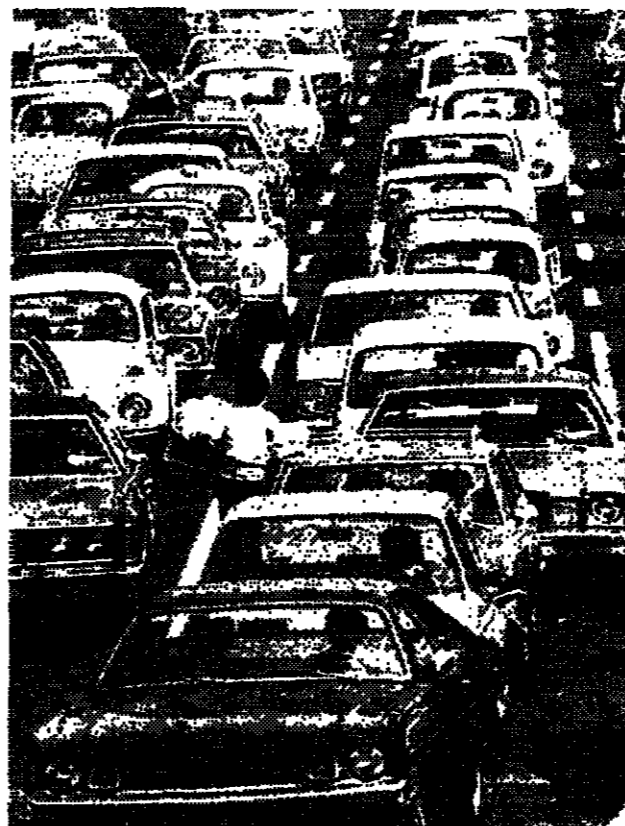
**VISIT** Mexico's recently re-opened National Auditorium, and a change in the way Mexico's government does business becomes clear. Once a loss-making white elephant with cheap subsidised tickets, the Auditorium now charges up to \$100 a seat, and makes a handsome profit.

Once an employer of 1,200 federal workers, it now has just one. All other work, from security to securing stars - including recently Plácido Domingo, Paul Simon and next year's Miss Universe - is contracted to the private sector.

The Mexican government, well-known for the privatisations of state-owned industries, has taken the concept a step further by handing over the provision and financing of basic public services to the private sector. Telephones, motorways, water treatment, electricity generation, railways and ports are being financed in part or fully by private capital to an extent not seen even in most developed countries. Subsidies are being scrapped.

The stimulus to the privatisation of public goods comes from the appalling state of Mexico's infrastructure, cited by most businessmen as the most critical constraint on economic growth, and the enormous pressures on the government budget.

A recent report from the business organisation Canacina concluded with what most Mexicans did not need telling: the motorway network was insufficient, with some sections too narrow and badly put together; trains were slow and in bad condition; ports were unreliable; the telephone service was inadequate; the postal service was slow and inefficient... and so on.



Mexico's appalling infrastructure, including its jammed motorways, has proved a big incentive to privatisation

The government's first target was the telephone system, privatised in December 1990. Telmex, as the telephone monopoly is known, has to invest under government regulation about \$4bn in five years and increase lines in service by 12 per cent a year. Mr Pedro Aspe, Mexico's finance minister, likes to say that the government privatised investment in Telmex which would not have been forthcoming had the company remained in public hands.

The government handed over at about the same time the construction of all four-lane toll roads to the private sector, ahead of the US, which allowed private partnership for the first time last December. The Mexican government has already authorised concessions for 3,521km of motorway for investments of \$5bn, of which 1,149km are in operation. Another 2,372km of concessions are forthcoming. The government usually finances about 10 to 15 per cent

of a motorway project, banks or capital markets another 50 per cent, and private investors or construction companies the rest. Brokerages and banks recently have been issuing bonds in Mexico guaranteed by future toll payments. The government promises to extend concessions to private investors in a motorway if projected revenue targets are not met, substantially reducing the risk of the bonds.

Soon these bonds will be offered internationally. The first to be submitted probably will be backed by tolls on motorways that already have been built, in an attempt to test the market. However, foreigners at a recent conference on Mexico's motorway programme appeared cautious and wary about exchange-rate risk and the possibility that future governments might renege on commitments made by the free-marketisers now in control.

Other risks have become apparent. Toll prices, because of the high cost of capital, are so high that demand in some cases has not met expectations, causing losses for creditors. Construction costs have been higher than projected in the Mexico City-Acapulco motorway, to the discomfort of the lead bank, Banco Serfin.

Other government departments have followed the example of the Ministry of Communications and Transport. Mexico's Commission of Federal Electricity (CFE) has signed projects worth \$3.5bn with consortiums including France's Ahiatom, Spain's Mecanica and Mexico's Bufo International to build and then lease back generators. The CFE will assign another \$2.2bn-worth of plants to private contractors including a consortium lead by General Electric

and Bechtel, according to a report by El Financiero International.

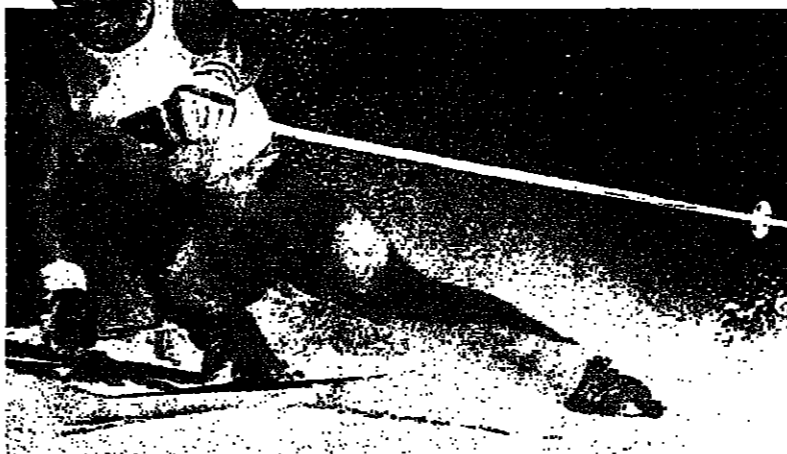
These projects may prove big business for Mexico's brokerages who are working on projects to attract private capital aside from that provided by foreign construction companies. Mr Javier Magana of Probusa is working on a plan to emit electricity bonds internationally and guaranteed by CFE's promise of payments for the use of a generator.

Probusa is also proposing a similar scheme for water treatment plants, where capital is raised through water bonds that are guaranteed by a stream of payments which local government agrees to make for use of the plants. A series of French and British water companies have trooped through the offices of the National Water Commission in the hope of obtaining a slice of a billion-dollar business.

Such projects, while hardly new in the US, "would a year and a half ago been considered absurd", says Mr Magana. They are feasible because interest rates have fallen to below 15 per cent and confidence in the peso is strong, while the consensus in and out of Mexico is that infrastructure spending will boom over the next decade.

However, foreigners may still hesitate to invest in a country where price controls on basic necessities such as electricity and water have been a way of life for more than half a century. The other constraint is Mexico's constitution, which still reserves ownership and distribution of many public services to the state. While the government has found ways round the law, greater legal clarity would help.

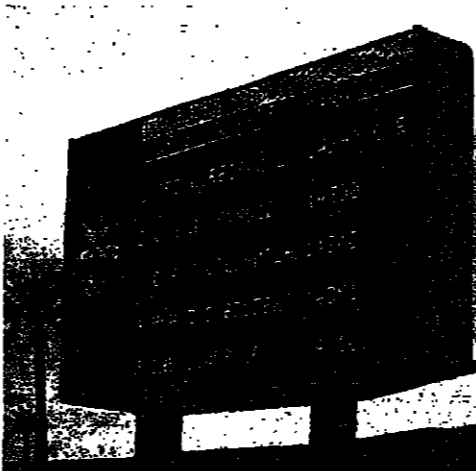
## We're not just sponsoring the Olympic Games. We're taking part.



Thinsulate Thermal Insulation. Warmth without bulk for skiers the world over - including Olympic competitors.



3M Adhesives Used in the manufacture of planes, buses and cars (and keeps tyres stuck to Olympic racing bikes).



3M Diskettes. Used worldwide to store vital information, from company data to Olympic Games track records.



Scotch Video and Audio Tapes Used at Albertville, Barcelona and all over the world.



Scotchsign and Scotchsign Signage. Highly visible - from garage to courts to direction signs at the Olympic Games.



Scotchcast Casting Material. 50% lighter and three times stronger. Supplied to the medical centres at Barcelona and Albertville.



3M Abrasives. Used throughout industry - and to achieve the smoothest possible bobsleigh runners.



Post-it Notes. The famous yellow repositionable notes that have improved communication the world over.

## Chevron finalises Kazakh oil exploration agreement

**CHEVRON** Corporation, the fourth largest US oil company, has finalised an oil exploration agreement with the former Soviet republic of Kazakhstan worth \$1.5bn (£840m) over the next three years, writes Neil Buckley.

It is the largest venture agreed between a western oil company and a former Soviet republic. Over the 40-year life of the project the deal could be worth as much as \$30bn.

Mr Nursultan Nazarbayev, Kazakh president, signed the deal with Mr Kenneth Derr, Chevron chairman, in Washington this week, finalising

details of a protocol signed 10 days earlier. The speed with which the protocol was finalised will be an encouraging sign for other companies involved in talks with former Soviet states.

Chevron will acquire a 50 per cent interest in a joint venture to develop the Tengiz and Korolev fields on the north-eastern Caspian Sea coast.

Work will begin in January next year on developing the two fields, whose reserves are estimated at about 50bn barrels, of which between 5bn and 9bn barrels may eventually be recoverable.

## Plebiscite may break logjam over second term for Menem

By John Barham in Buenos Aires

**ARGENTINA'S** government has threatened to hold a plebiscite later this year to force Congress to reform the constitution and allow President Carlos Menem to run for re-election in 1995.

The constitution forbids presidents from holding consecutive terms. However, the opposition Radical party is opposed to Mr Menem's re-election when his present six-year term ends. The conservative UCD party, the government's ostensible ally, is split over the issue.

Senator Eduardo Menem, the president's brother and head of the Senate, said: "Since it appears that some political forces are against the reform, I think it would be correct to consult the people directly." A plebiscite would not have force of law, but the government is confident of winning a 70 per cent majority, which would intimidate Congress into supporting reform.

Constitutional amendment has become Argentina's leading political issue. Mr Eduardo Bauza, secretary general of the presidency, warned that "undoubtedly we are heading towards a plebiscite" unless



Carlos Menem: denies involvement in reform campaign

the opposition co-operates by approving reform. A two-thirds majority of Congress is needed to convoke a constituent assembly.

Mr Menem's fixation with re-election as he approaches the middle of his term is creating political uncertainty. Analysts warn that a constituent assembly could introduce social clauses that hinder economic reform.

The president has said constitutional reform will not deflect his commitment to free-

market policies. But his claims that he is not directly involved in a reform campaign are not widely believed.

Re-election has obsessed Argentina's civilian presidents. The only leader to win re-election was Juan Peron in 1953, but the amendment was scrapped after the army toppled him in 1955.

Mr Raúl Alfonsín, Mr Menem's predecessor, also tried to change the constitution but the Peronists blocked his efforts.

All brand names are trade marks of 3M.

Innovation working for you™

Worldwide Sponsor 1992 Olympic Games

## NEWS: UK

# Rising output fuels hopes of UK recovery

By Emma Tucker,  
Economics Staff

SPECULATION that the UK economy is on the verge of recovery was fuelled yesterday by news that manufacturing output rose in the first quarter of the year.

The increase of 0.3 per cent in the three months to April was the first three monthly rise in output since the recession began. It followed six successive quarterly declines.

Although economists were optimistic about the figures from the Central Statistical Office, they said it was too early to say the recession was over.

In spite of the quarterly rise, and two successive monthly rises, manufacturing output remained 2 per cent below levels of a year ago and 7.5 per cent below the high point of the second quarter of 1990.

On a monthly basis, manufacturing output rose by 0.3 per cent in March after a 1.1 per cent increase in February.

Overall industrial output - manufacturing plus energy - fell by one per cent in the first three months of the year compared with the previous three month period. This was mainly due to a big drop in energy output which fell by 4.3 per cent in the first quarter.

The Treasury said economic growth would become firmly established this year. "Today's economic figures suggest the fall in manufacturing output may have ended and growth will become firmly established during 1992," it said. But Mr Gordon Brown, opposition Labour party spokesman said short-term economic prospects remained weak.

Four of the seven components within manufacturing showed an upturn in the first quarter. Output of the "other

The public sector borrowing requirement for April was £3.6bn, including privatisation proceeds of £500m. This was the biggest deficit for April since 1987.

Although the figure was slightly lower than expected, economists warned that Britain was still heading for a record deficit in fiscal 1992-93. Most expect the PSBR in the new financial year - which started in April - to reach £30bn.

manufacturing" sector, which covers paper, printing and publishing, rose by 1.4 per cent compared with the previous quarter and output of metals rose by 1.1 per cent.

There was a small decline in engineering output, although on a monthly basis, output in this sector has risen for two successive months. Within engineering, car production rose by 4 per cent compared with the previous quarter, but output of other transport equipment - including shipbuilding and aerospace - fell by 3.1 per cent.

Chemicals was the only sector to show a big improvement in output compared with a year ago. Output grew by 5.3 per cent in the three months to April compared with the same period a year ago. The CSO said this was almost entirely attributable to the strong performance of the pharmaceuticals industry.

Output of the consumer goods industries rose by 1.3 per cent in the first quarter compared with the previous three months with the highest rise within the sector coming from cars.

## Takeovers and mergers valued at over £2bn

By Bethan Hulton

ACQUISITIONS and mergers activity in the UK remained steady in the first quarter of 1992, but the value of transactions fell.

There were 124 transactions to an estimated value of £2.3bn in the first quarter of 1992, according to figures released yesterday by the central statistical office. The figures do not include cross-border acquisitions.

The total value of initial payments on acquisitions of UK industrial and commercial companies was down £2.1bn on the last quarter of 1991, when there were 130 transactions, and down £11.1bn from the 1989 peak.

Independent companies were involved in 72 of the sales, and subsidiaries in 52. There were no mergers.

There were 30 transactions valued at over £10m, and 49 valued at less than £1m. The largest transactions were the acquisition of Steelcity by Redland, valued at £694m, the sale of IEP (automotive) to Inchcape Overseas for £363m, and Bowater's purchase of DRG for £201m.

## Europe urged to speed pace of energy liberalisation

By Neil Buckley

URGENT action is required to quicken the pace of energy liberalisation throughout Europe, Mr Tim Eggar, energy minister said yesterday.

Speaking in London at a conference organised by the Confederation of British Industry and the Confederation of Norwegian Business and Industry, Mr Eggar said he would be pressing for the quick introduction of a free energy market when he meets EC energy ministers in Brussels tomorrow.

His comments suggested energy liberalisation may be a theme when the UK takes over the presidency of the European Community in July. The UK currently leads the way in the deregulation of electricity and

gas industries, but could face strong opposition in pushing for greater liberalisation from countries such as France and the Netherlands.

Mr Eggar said industry and 350m consumers across Europe would have "everything to gain" from cheaper gas and electricity, with only a handful of vested interests likely to be losers. He suggested there was a "striking contradiction at the heart of Europe."

"It is quite extraordinary that we have been spending so much time making sure that goods can cross frontiers but we apparently find it impossible for gas and electricity to flow across frontiers."

He said that significant disparities still existed between electricity and gas prices in different European countries. He

also warned that European industry might find it impossible to be competitive with the rest of the world unless energy prices fell as they were doing in the liberalised markets of the US and Japan.

Mr Eggar said that arguments that electricity and gas were natural monopolies, and that only monopolies had sufficient economic security to undertake the large investment programmes required by energy projects, had been proved wrong by the liberalised electricity market in the UK, and the gas market in the US.

He also countered claims by opponents of energy liberalisation that it would require a "huge centralised regulatory bureaucracy".

He said that regulation could



Tim Eggar: consumers have "everything to gain"

be left to member countries operating within an agreed framework. In the UK, the gas regulator Ofgas operated effectively with a staff of around 30 people.

## Names seek legal review over losses at Lloyd's

By Richard Lapper

LOSS-MAKING Lloyd's Names yesterday launched two moves to prevent the authorities at the insurance market drawing on their deposits to meet losses.

In the High Court, Mr Justice Potts granted leave for a judicial review of six Names - individuals whose assets back underwriting at the market. The Names are connected with the Gooda Walker Action Group, which represents over 2,100 Names.

Judicial reviews are actions against public or semi-public bodies alleging that they have failed to observe duties usually enshrined in legislation.

In a separate action, Withers, solicitors acting on behalf of the Distressed Names Spiral Action Group, yesterday issued ten separate writs against the Gooda Walker, Feltrim, Rose Thomson Young and Devonshire agencies. Both actions are aimed to obtain injunctions to prevent the Lloyd's insurance market from drawing on the deposits which all Names must leave with their agents in order to meet insurance losses.

## Ashdown urges tough stance at Rio summit

By Ralph Atkins

THE centrist Liberal Democrats yesterday called on Mr John Major to apply "all his international negotiating skills to the full" at next month's Earth summit in Rio de Janeiro.

Mr Paddy Ashdown, the

party leader, said preparatory negotiations for the summit had gone in the wrong direction, having "watered down the original texts and exposed divisions."

Mr Ashdown proposed the stabilisation of carbon dioxide emissions at 1990 levels by 1995, increased resources for

family planning in developing countries and "Red Cross" style immunity for those engaged in environmental clean up operations at times of conflict.

"The UK is often a laggard in European Community discussions and our partners have concluded that we are more

concerned to appease the US than to achieve a co-ordinated European position," said Mr Ashdown. "So now Mr Major must demonstrate that his strategy can deliver the goods."

The party also launched a cross-party appeal for a Commons debate on the summit.

## MPs claim success in Maxwell campaign

By Alison Smith  
and Norma Cohen

MPs campaigning on behalf of pensioners facing hardship after their pension funds were raided by Robert Maxwell, the late publisher, yesterday claimed they had forced the government to take a more active approach to the affair.

Mr Richard Page and Mr Frank Field, representing an all-party group of MPs supporting the Maxwell pensioners, emerged from a meeting with Mr Peter Lilley, the social security secretary, to urge early publication of the report by the Securities and Investment Board (SIB) which would enable further decisions to be taken about the future of the funds.

The two MPs also welcomed undertakings by Mr Lilley to pass on to the Bank of England concerns that the banks were not making enough effort to identify Maxwell assets.

The meeting coincided with a press conference at which a Maxwell pensioners' group claimed that six thousand Maxwell company pensioners stand to lose three-quarters of their monthly pension payments by September unless the government acts.

Mr Kenneth Trench, chairman of the Maxwell Pensioners Action Group, said that government had an obligation to help pensioners because of the misadministration of government departments in their oversight of Mr Robert Maxwell's activities.

By June, 5,000 Maxwell company pensioners will lose half their monthly pension payments and 240 members of one Leeds-based scheme are getting no payments at all.

## Vitamin supplement for horses may be toxic

By Catherine Milton

A DRUG company yesterday confirmed it was withdrawing its vitamin supplement products for competition horses because they may be poisonous.

Three horses are said to have died and several are seriously ill, according to Colburn-Dawes Nutrition, a subsidiary of the Swiss pharmaceuticals group Roche. Those known to be affected are in Suffolk and Hampshire.

The horses are alleged to have died after consuming excessive amounts of the element selenium, one of the ingredients in the vitamin supplements given in feed.

The products are used by horse studs around the world. Products have been exported to Greece, Malaysia, the United Arab Emirates, Iceland, the Philippines and Taiwan.

The company said it was withdrawing all horse feed supplements made since September 1991 and held by distributors and their customers in the UK. Overseas customers were being warned but the company fears most exports will have been used already.

Tests by Ministry of Agriculture scientists have confirmed that the products contain more selenium than they should. A spokesman from Medi Equus, a Colburn-Dawes Nutrition distributor, said the tests revealed "huge variations in the level of selenium and other potentially toxic minerals".

Colburn-Dawes Nutrition is conducting its own tests to find out exactly which batches of the supplement are affected. It is investigating one of its three factories at Atherstone in Warwickshire.

## Unions react angrily to BBC pay offer of 3.7%

THE BBC has angered unions by offering more than 25,000 staff an annual pay rise below the rate of inflation. Its offer for the year from the beginning of August is 3.7 per cent with a guarantee that no one will receive a rise worth less than £300, writes Raymond Snoddy.

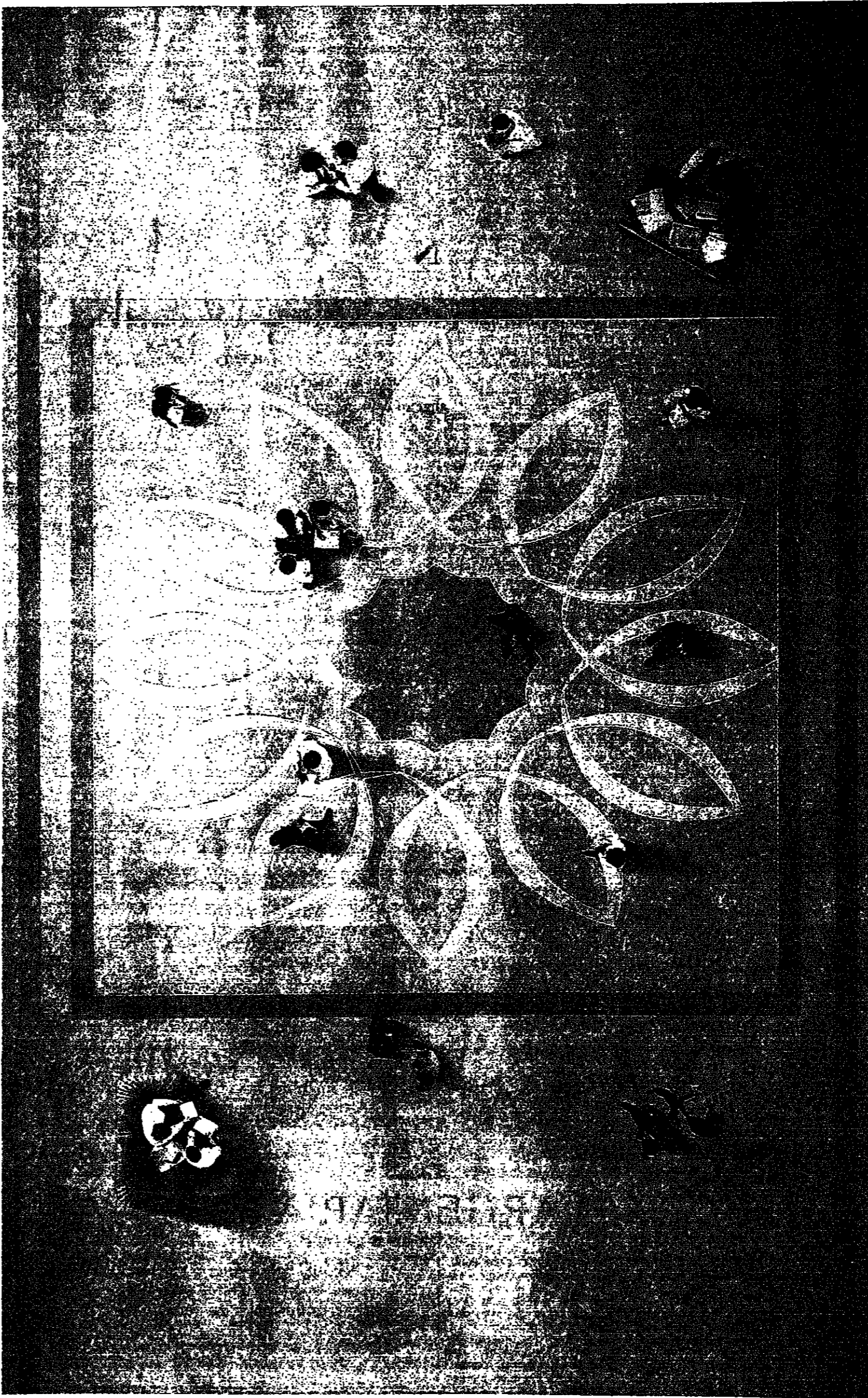
The deal would cost £21.5m a year on a BBC pay bill of £590m. The offer comes on the eve of a BBC governors and top management conference to consider the corporation's future.

Bectu, the main broadcasting union, representing about 14,000 BBC staff, asked for 3

percentage points more than inflation - at present 4.3 per cent - and a minimum salary of £7,500.

Mr Tony Lennon, president of Bectu, said he did not think his members should have to "ball out the BBC" with what is effectively a pay cut. In the past, the BBC has said it wants to increase efficiency to plough more money into programmes.

Mr Lennon said staff were not benefiting from the cost savings and redundancies and in particular the deal eroded the 5 per cent given last year for giving up some overtime and extra duty pay.



# UK rules out action in 'friendly fire' case

By Robert Rice and Ralph Atkins

THE GOVERNMENT signalled yesterday that it would take no action against US pilots involved in the deaths of nine UK soldiers killed by "friendly fire" in the Gulf war.

Mr John Major indicated to MPs that he did not believe the incident justified a protest to Washington over its role in protecting the pilots.

"I hope we won't lose sight of the fact that those were American pilots risking their lives alongside our troops in a battle against a common enemy and to liberate Kuwait," he said.

Speaking after an Oxford inquest ruled on Monday that the nine were "unlawfully killed", the prime minister faced pressure by Mr Neil Kinnock, the opposition Labour leader, to use his authority to ensure the victims' families had the full truth.

Mr Malcolm Rifkind, defence secretary, later admitted that the immediate aftermath of the Gulf war "there was some confusion and uncertainty about what exactly happened".

The US marine corps had not sent answers to points raised



Barbara Mills: to examine 'friendly fire' documents

in the Ministry of Defence's inquiry until July 10, he said. Ministry of Defence officials, however, said that all available information was now in the hands of the victims' families.

Mrs Barbara Mills QC, Director of Public Prosecutions (DPP), has asked to see all the relevant documents held by the Oxford coroner and the MoD on the incident.

The DPP's office said yesterday that Mrs Mills would consider the papers in detail to see

whether there was sufficient evidence to bring criminal charges against the two US pilots allegedly responsible.

But her office reiterated that there was no power to prosecute a foreign national in England and Wales for any offence of murder or manslaughter allegedly committed abroad.

Under the 1961 Offences Against the Person Act, British subjects could be prosecuted in England and Wales for murder or manslaughter committed outside the UK. But that was a specific statutory exception to the general principle of jurisdiction and did not extend to non-British subjects, a spokesman said.

Mr Michael Meyer, head of legal services at the British Red Cross, said yesterday there were no precedents in international humanitarian law for dealing with "friendly fire" incidents.

The US Congress has however agreed to pass a bill compensating US soldiers under which their families would receive \$100,000 whether they were killed in war or not and it was possible that the same sum could be paid to the British families, he added.

## Shortage of IT skills could lead to exodus

By Michio Nakamoto

THE UK faces a shortage of information technology skills which could lead to an exodus of computer software and service companies, according to leading information technology companies in the UK.

"Companies can now base themselves wherever in the world the relevant IT skills are, and use international networks to transmit data from there," said Mr Paul Aspin, southern region industrial business manager for IBM.

Mr Aspin, who is also a board director of West London Training and Enterprise Council, warned that unless the relevant skills are developed in the UK, the IT industry will move out to continental Europe.

UK companies lag behind the best in IT training and investment per person in the UK was just half that in Japan, according to Mr Peter Bonfield, chairman and chief executive of ICL, the computer group. The lack of training by companies has meant that people who have the skills are poached by companies at increasingly higher pay levels.



No withdrawal: Lt Gen Wilsey (right) meets paratroopers during a visit to Coalisland yesterday

## Dublin demands withdrawal of paratroopers

MR DAVID Andrews, Irish foreign affairs minister, has demanded the withdrawal of British paratroopers from duty in Northern Ireland following several days of unrest in Coalisland, the fiercely republican Ulster community.

Lieutenant General Sir John Wilsey, the commanding officer of British forces in the province, yesterday refused to comment on the Dublin government's demand during a visit to the County Tyrone town.

The Parachute Regiment, however, has been kept off the town's streets after protests over the soldiers' behaviour in opening fire on a crowd earlier this week. Three men were shot in the

knees and are recovering in hospital. Two soldiers were also hurt. One is being treated for a suspected collapsed lung. Lt Gen Wilsey, meanwhile, visited troops outside the town as metal detectors were used to find a machinegun stolen during violent clashes between soldiers and Catholic youths.

## Britain in brief



### Jobless levels suffer biggest rise since '82

The number of people unemployed for more than one year rose by 94,000 in the quarter to April to reach 841,000, the highest since October 1988. The 286,000 increase since April last year is the biggest yearly rise since 1982.

Mrs Gillian Shephard, employment secretary, regretted the increase but pointed out that long-term unemployment was still only two-thirds the level it was five years ago. She also said that the number of very long-term unemployed, people unemployed for more than five years, was at the lowest level since January 1985.

All regions suffered an increase in long-term unemployment with the largest percentage increases in south Wales, the south-east including London - and East Anglia.

### Militant loses union influence

Militant Tendency, the Trotskyist splinter group disowned by the Labour party, has lost its strongest chance of winning significant influence over a UK trade union following the election of moderates to all three top posts at the Civil and Public Services Association (CPSA).

The election of Mr Barry Reamsbottom as general secretary and other moderates to posts including deputy general secretary, treasurer and president is likely to be welcomed by the government. During the past 10 years Militant has had a stronger influence on the CPSA, which represents most government officials, than any other union and won control of its executive in 1987-8. This year, Mr John Macreadie, its candidate for general secretary and the union's deputy general secretary, was thought to have a good chance against Mr Reamsbottom.

Under the leadership of Mr Reamsbottom and a moderate-dominated executive, the CPSA is far less likely to clash with the government or organise industrial action than it would under Militant.

### Barclays staff get pay rise

More than 2,500 information technology staff at Barclays bank are to receive pay rises of between 3 and 4 per cent. Managers will get a maximum of 3.1 per cent.

### Jaguar plans new engine

Jaguar, the UK luxury car-maker, has developed a prototype two-stroke engine, which could enter production in the next decade. The surprise disclosure of the project represents a pioneering step among European

luxury carmakers, although several of the world's leading volume carmakers are already working on the development of two-stroke engines for small cars.

Jaguar, a subsidiary of Ford of the US, said the development of the compact and lightweight V-6 engine was the result of a four-and-a-half year research programme.

### Ferry group to relaunch route

The Folkestone-Boulogne cross-Channel ferry route, closed by Sealink Stena Line at the end of last year, is to be re-opened to freight traffic in mid-June by a newly-formed shipping company called Opale Ferries.

The company, formed by a group of mainly French investors led by the Boulogne Chamber of Commerce, has chartered a Canadian freight ferry with capacity for 50 lorries and drivers.

Opale Ferries believes there is enough demand among long-established users of Boulogne to justify the service in spite of looming competition from the Channel tunnel.

### Advertisers seek EC deregulation

The Advertising Association has stepped up its lobbying of the government, MPs and MEPs for further and wider deregulation within the EC.

In a 14-point document, The Spirit of '92, the association urges the government to promote "the construction of a Europe without national restraints on trade or services, and to reinforce progress towards the acceptance of freedom in communications, and truth in advertising."

The document includes calls for reconsideration of national restrictions on advertising and continued resistance to a proposed EC-wide ban on tobacco advertising.

### UCW opposes postal plans

Post Office plans to improve customer service through a "total quality" programme has encountered opposition from the Union of Communication Workers, the main postal union.

The UCW voted at its annual conference in Bournemouth to oppose increased job specialisation and team working, and to ballot on strike action over the latter if necessary.

Royal Mail, the letters arm of the Post Office, has been trying for more than two years to introduce into sorting and delivery operations a system of self-regulating teams headed by team leaders as part of an effort to introduce "total quality" principles, focusing on excellence of service and customers' needs.

### Step forward on regulation

The creation of a new self-regulatory organisation to oversee all retail investment business has moved a further step forward.

The Securities and Investments Board, which is sponsoring the planned organisation, has announced four sub-committees appointed to examine how it would work.

## WE'VE LAID THE FOUNDATIONS TO BUILD INTERNATIONAL SUCCESS.

There's a powerful new force in global banking to help manage your international business interests.

Argentaria, Spain's new banking and financial corporation brings together the country's leading specialist banks into one single federal organisation, to offer international clients strategic business advantages from its specialist range of banking and financial services.

Banco Exterior de España (BEX), the flagship of the group, is a leader in Foreign Exchange and Capital and Money markets.

With an international network operating in 28 countries across Europe, the Americas, the Far East and North Africa, BEX offers key strengths in identifying and developing international business initiatives.

We provide expertise in foreign trade both at a business and institutional level.

Closer to home, we offer insight, advice and information concerning EC legislation and standards on developing international business.

Whilst we hold a pre-eminent position in the peseta market around the world.

(In addition to the normal channels of business available to you, our services are available 7 days a week, 365 days a year through Banco Directo, our telephone banking subsidiary.)

The result? We are providers of long and short term financing, insurance, stock broking services, asset management and project finance.

Our specialist subsidiaries include one of the largest savings banks in Spain; the largest mortgage bank in the country; a specialist bank in the agricultural sector, and we are the main provider of finance for local authorities.

The benefits to your business?

A wider range of specialist services covering all levels of international banking and finance, whatever your needs.

A more rational and efficient range of services offered through Argentaria's subsidiaries to meet your requirements.

And complete accessibility to Argentaria's specialist services wherever you are today, and wherever you want to be in the future.



## ARGENTARIA

Corporación Bancaria de España

A EUROPEAN POWER IN WORLDWIDE BANKING

## MANAGEMENT

David Waller tells the tale of a family fortune, management consultants and a punk princess

## When a Prince means business



Princess Gloria and Prince Johannes von Thurn und Taxis: brought in consultants to manage family assets totalling \$1.3bn, excluding seven castles, pictures, collections and jewellery

**H**elge Petersen, a former partner in the McKinsey consultancy group, received an unusual phone call late in 1986.

Egon Zehnder, a prominent Swiss headhunter, rang with a unique proposition: would he like to manage the business affairs of the princely house of Thurn und Taxis, one of the oldest and wealthiest families in Europe?

Petersen took the job - but it did not turn out to be as idyllic as he first imagined. He and colleagues he recruited left their jobs under a cloud in 1990 and subsequently became embroiled in litigation with their former employer. It was only last month that this litigation was settled.

Petersen's appointment came about because the head of the family, the late Prince Johannes von Thurn und Taxis, was concerned that the family businesses were not earning enough to support his extravagant life-style.

The family's fortune - with assets of about \$1.3bn excluding castles, pictures, collections and jewellery - reflected the entrepreneurial talents of Prince Johannes' distant forebears.

In 1490, they established a postal system for central Europe and ran it successfully for a few centuries thereafter. During the 19th century, it was privatised and the proceeds skillfully invested in industry and agriculture.

Unlike the fortunes of many noble German families, the T and U empire fared well in the 20th century too. It survived two world wars, the Nazi Reich and two periods of great inflation.

This was, however, due more to luck than the entrepreneurial skills of the princes, who tended to be playboys rather than businessmen. Commercial affairs were left in the hands of administrators recruited from the Bavarian civil service.

Acutely conscious that his outgoings exceeded his income, Prince Johannes at last decided it was time to bring professional management skills to bear on an empire which

spanned 69,000 acres of forest, as well as agriculture, banking, brewing, industry and international property. Hence Petersen was brought in and given leave to recruit a team of managers.

For three glorious years, Petersen and his new recruits - principally Eberhard Crain, a former colleague at McKinsey, and Rolf Levedag from the Deutsche Bank - lived at the Thurn und Taxis seat of Schloss St Emmeram at Regensburg in Bavaria, chief of the family's seven castles.

During the week, they had the fun of managing a large business from congenial surroundings. At the weekends, they were invited to boar-hunts by their employer, where they could rub shoulders with the likes of Donald Trump, the

former real-estate giant, Prince, the pop-star, Günter Grass, Germany's leading author, Franz-Joseph Strauss, Germany's former chancellor, not to mention the Prince and his glamorous relatives.

Quite apart from the social attractions, the job was extremely stimulating. "It was," recollected Eberhard Crain earlier this year, long after the idyll had come to an end, "a position that everyone would dream of."

Petersen agreed: "It was intellectually very interesting. We had a first-rate management group; to start off with we had an excellent relationship with the Prince and we had a tremendous amount of entrepreneurial freedom. You don't get all this in many jobs."

The managers set up a corporate-

style structure for the group. They established a holding company, of which they were the directors and the Prince was the sole shareholder.

Their first task was to assess the value of the Prince's assets: he had a vague idea they were worth about \$3bn and was disappointed to find that they were less than half of that.

Then, with the help of Andersen Consulting, they installed a management information system. They divided the businesses into five divisions: agriculture, forestry, industry, brewing and financial services. These were further subdivided into some 60 profit centres.

Agriculture and forestry - the bulk of the empire - produced a yield on assets of 1 per cent or less per year. The managers' task was to

work the rest of the assets as hard as possible.

They embarked on ambitious plans to franchise the Thurn und Taxis name in the financial services areas and:

- bought property in north America and Germany;
- rationalised the largest industrial company in the portfolio - Doduco, a loss-making electronics concern;
- sold off \$145m of farm land.

The net result was that the empire turned back into the black, making profits of \$7.5m and \$6.4m in 1988 and 1989 respectively.

The strategy was based on the assumption that the Prince, 59 years old when he recruited Petersen in 1986, would live for at least another 10 years. However he grew

ill and fell increasingly under the influence of his wife, Princess Gloria.

The "punk princess" was well known in the German popular press for the extravagance of her life-style and her imaginative haircuts. The Prince had married her in 1980 when she was just 20. It was only in the late 1980s that she started to develop an interest in the business rather than party-going.

Relations between the managers and the Prince grew frosty early in 1990 after an article appeared in a German magazine accusing Petersen and his team of gross mismanagement and manoeuvring themselves to take control of the fortune when the Prince died.

Formally, the Prince stood by his employees, but the old trust and

confidence was gone and the managers' freedom to act was henceforth strictly circumscribed. By the middle of the year, Petersen and Crain had left of their own accord and shortly afterwards Levedag was fired.

For the managers, the saga did not end with their departure from the Schloss, nor even with the Prince's death in December 1990. The Princess attacked them in numerous press articles, one of which in September last year alleged that they had systematically manipulated the Prince's accounts to pay themselves big bonuses.

Petersen and his former colleagues hit back, suing both Gloria and a number of publications, claiming a systematic attempt to destroy their professional reputations. The Princess counterattacked by filing criminal charges against the former managers.

Late last month, the Princess quietly backed down: a statement issued in Frankfurt said that the House of Thurn und Taxis had dropped its allegations against the former managers.

Both sides abandoned the lawsuits launched at each other; Levedag, who was sacked outright, obtained compensation and all the managers successfully won payment of unpaid bonuses due under their contracts.

This attempt to subject a large family fortune to professional management discipline has not been good either for the fortune or the managers.

While Petersen landed on his feet, taking up a post last year as managing director of the Wasserstein Perella investment bank in Germany, Crain has only recently found a new job with a French investment group in Frankfurt. Levedag is believed to be on the brink of taking up a new post.

Meanwhile a distinctly press-shy Princess Gloria presides over a family fortune which is believed to be shrinking at much the same rate as it was before the ill-fated experiment with professional management.



When I ask managers about the importance of exercise, most acknowledge that physical activity can be beneficial, but the vast majority - more than three out of four - view it as optional. Even managers who are committed to health often have a hazy understanding of the basics of fitness.

Whenever a crunch comes at work and the schedule becomes too tight, exercise is the first activ-

## Making a strong case for getting physical

ity to go. In fact, physical activity is even more essential to your well-being than brushing your teeth. An extra drink or two, a cigar or an extra few kilograms can all be forgiven. But the body craves movement and will be unforgiving when it does not get enough.

The benefits of exercise are many. It increases bone density, reduces body fat by increasing the

use of fat stores for energy, and increases the heart size, making it a stronger and more efficient pump. It raises the oxygen supply to the heart by developing more capillaries and increases the number of red blood cells which meet the higher demands of the body during exercise.

Exercise reduces blood pressure by increasing the blood flow through muscles and decreases the

respiratory rate and the resting heart rate. It increases the lung volumes, muscle strength and endurance. Above all it improves the ability to deal with the stress of business life.

Your road back to physical (and mental) fitness should proceed according to a few simple rules.

● Enjoy the exercise you are doing. The obvious moral pleasure is not enough to keep you at it.

● Exercise frequently. That means about three times a week.

● Exercise for a short, sustained period of, say, 30 minutes per session.

● Exercise at the right intensity. Your training heart rate (THR) may be a useful measure. To calculate it, subtract your age from 220, and multiply this figure by 75 per cent. For example if you are 40, and fairly sedentary your THR will

be 135: (220-40) x 75 per cent.

Next, choose an activity you really enjoy - walking, gardening, rowing, swimming - and do it three times a week for 30 minutes at 135 heartbeats a minute.

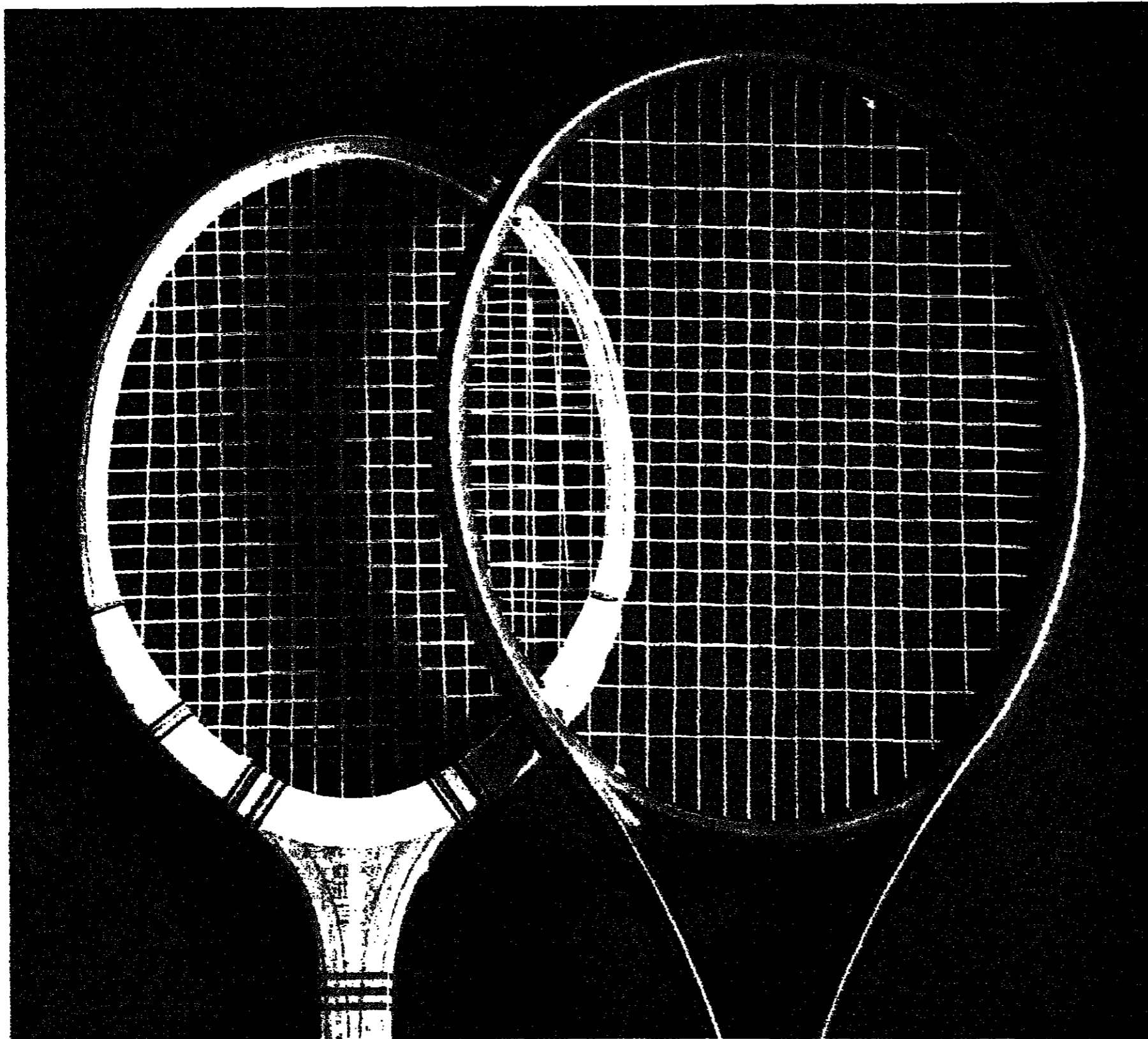
Most people lead an active life when they are young, but as the demands of business grow, they may find that the only exercise they get is an hour or two of golf or tennis at the weekend - and

often not even that. The popularity of health and fitness clubs is playing an increasingly important part in getting sedentary people "back on track".

If used properly, a good fitness club can help you get fit. But beware: many managers have the membership card of a club in their wallets as their passport to fitness, only to find constant excuses for not going.

Dr Michael McGannon

The author is the medical director of the Insead Business Health course.



"Not to change  
is a sure  
sign of imminent  
extinction."

SIR JOHN HARVEY-JONES M.B.E.

In business you never know what life  
will serve up next.

So it's not enough just reacting  
to yesterday.

You must be prepared for tomorrow.  
And that's where we can help.

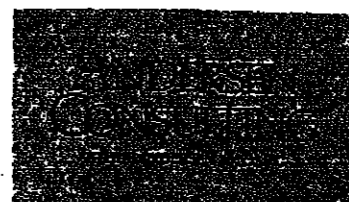
At Andersen Consulting we've made it  
our business to consider every aspect of  
your business.

From strategy to business processes,  
from people to information technology.

Right from the start we work with  
you through every stage.

We do this to put you where you  
belong.

Ahead of the game.





## BUSINESS AND THE ENVIRONMENT

## Tall tales grow in the forest

The UK's forestry policy has left the country with a subsidised crop of mature trees whose value is often so low that they cost more to cut down than to sell, according to a report published recently by the World Wide Fund for Nature (WWF).

It suggests that new ways of valuing trees could lead to future generations being left with forests which they want and need, rather than serried ranks of densely planted, environmentally unfriendly conifers.

WWF says that wildlife hates densely planted conifer forests, which allow little light to the forest floor, leaving no ground cover, no animals or insects, and consequently no birds. Conifers can also make the soil acidic and leave it unsuitable for growing anything but the same type of tree.

The UK Forestry Commission has already started trying to put a value on the benefits of forestry apart from the value of the timber. It points out that it is far from easy to evaluate such things as landscape conservation, carbon fixing and job creation in rural areas.

There are now signs, WWF believes, that economic analyses of forestry projects are attempting to describe what it calls "the wider social returns," such as environmental costs and benefits. Policy changes include the replacement of tax incentives with targeted grants, as well as new planning procedures.

Andrew Christie Miller, chairman of Timber Growers United Kingdom, the trade organisation for private woodland owners, thinks the WWF report brings together all the aspects of work being done to try to provide economic justification for subsidised forestry.

While there are plenty of grants available in the UK, the level of planting in the UK has dropped to the lowest level since the Second World War.

In the private sector in late 1980s, 25,000 hectares per annum were being planted, but this has now slipped below 10,000 hectares per annum.

David Blackwell

\*Trees and the Treasury. Valuing Forestry for Society, by R. Worrell. WWF United Kingdom, Panda House, Weyside Park, Godalming, Surrey GU7 1XR.

Residues from agricultural chemicals in crops and water supplies are a growing environmental concern. But they provide a business opportunity for biotechnology, which is set to play a big part in the world's \$20bn (£11bn) a year pesticide industry over the next decade.

Insecticides are leading the way in the emerging market for residue-free biopesticides. Sales of biological insecticides were in the region of \$130m worldwide last year - only 2 per cent of the figure for chemical insecticides. Industry predictions put the bio-insecticide market in 2000 anywhere between \$500m and \$2.5bn.

The market has been dominated so far by two international companies, Sandoz of Switzerland and Abbott of the US. They make bio-pesticides from *Bacillus thuringiensis* (Bt), a naturally occurring bacterium. Bt produces a protein that kills some insects.

These natural Bt pesticides have been on the market for about 20 years. Farmers have not taken them up enthusiastically, despite their environmental appeal, because they do not kill most insects as effectively as conventional chemicals.

Now a group of biotechnology companies, led by Ecogen and Mycogen in the US and Agricultural Genetics Co (AGC) in the UK, is using genetic techniques to develop a more powerful and more diverse range of second-generation insecticides. Large chemical groups such as Monsanto, Du Pont and Ciba-Geigy also have active bio-insecticide programmes.

Insects are the most tempting target for biological pest control, says John Davis, Ecogen chief executive. One reason is that the chemical industry has not developed a significant new class of insecticide since the synthetic pyrethroids 20 years ago. Its recent innovation record is better against the other main types of agricultural pest: fungi and weeds. As a result, some insects are building up resistance to the long-standing chemical pesticides.

Another reason why biotechnology is attacking insects first is the wealth of scientific and technical knowledge built up since the 1960s about *Bacillus thuringiensis*. Ecogen, based in Pennsylvania, has a bacterial library of 9,000 strains of Bt collected from around the world. Each produces a slightly different toxin and therefore has a different effect on insects.

The company's new products are based on Bt strains modified genetically through a process known as transconjugation. This is different from the standard genetic engineering technique of "recombinant DNA" which alters the chromosome, the bacterium's central store of genetic information.

Transconjugation involves moving plasmids - extra strands of

Clive Cookson reports on the search for pesticides that kill insects but are safer than conventional chemicals

## The bugs bite back



The Colorado potato beetle is a tempting target for biopesticide makers

DNA that some bacteria carry outside the chromosome - from one strain to another. In Bt the plasmids rather than the chromosome carry the insecticidal genes, so scientists have been able to create super-strains with plasmids brought together from different natural strains to have the maximum impact on specific pests.

Ecogen is already selling three bio-insecticides in this way and one from AGC - to be marketed by Ciba-Geigy - will be launched later this year. Their targets include various caterpillars, Colorado potato beetle and European corn borer, gypsy moth and spruce budworm.

Mycogen, based in California, has most experience of recombinant DNA work on Bt. Last year the US Environmental Protection Agency approved its first two genetically engineered products, one for use on caterpillars and the other aimed at the Colorado beetle.

capsule" for the Bt toxins. They therefore persist longer than the original Bt pesticides, which users have criticised because they break down in the environment before they have killed their insect targets.

There has been little environmental opposition to Bt-based biopesticides in the US, because the toxins biodegrade so quickly and leave no residues. Compared with conventional chemicals they are very specific, poisoning the target while doing little harm to other insects and none to birds and mammals.

The Japanese, however, are wary, because current Bt formulations contain not only the toxin crystals but also spores which could in theory give rise to new bacteria. They fear that these could infect silkworms - which are culturally if not industrially important insects in Japan.

"We see no harm at all in having the spores and we have made a Bt that is not toxic to silkworms," Davies says. But Ecogen is now talking to cautious Japanese companies about developing spore-free versions of its products.

Although Bt leads the bio-insecticide field, some researchers are investigating other micro-organisms as a source of toxins. For example Du Pont, the US chemical group, is collaborating with Crop Genetics, an agricultural biotechnology company, to develop insecticidal virus products.

All bio-insecticides are formulated so that growers can mix them with water in a tank and spray on to the crops like ordinary pesticides. Even so, farmers need to be educated not to expect an immediate "knock-down" as with a chemical poison.

When a susceptible insect ingests Bt toxin, its stomach is paralysed instantly and it stops feeding, but it may not die for three or four days. This can mislead the user into thinking that the spray is working too slowly.

"Once you get over that initial hurdle, growers get a kick out of using a biological product," says Roger Gilmore, chief executive of AGC. "Many of them feel instinctively that it's wrong to use a chemical spray."

Eventually bio-insecticides may face competition from another form of biotechnology: transferring toxin genes directly into plants, so that the crops then make the poisons in their own cells. Mycogen and Ecogen are both collaborating with seed companies to do this with Bt genes, while AGC is making use of insecticidal genes present in plants themselves.

It will be well into the next century, however, before many plant varieties have been engineered to kill a wide spectrum of potential pests. By then bio-pesticides are likely to have made many conventional insecticides redundant.

## Life beyond the Earth Summit

By Senator Al Gore

At next month's Earth Summit in Rio de Janeiro, the world community has an historic opportunity to move forward in a spirit of global partnership to meet the challenges that will define our common future.

Sadly, the agreements to be signed at this historic meeting are hollow shells of the original proposals, with little assurance that there will be any real change in policy or practice, and meagre hope that the environmental crises they are intended to confront will be slowed. Regrettably, it was the intransigence of the US negotiators that weakened the accords.

For example, the climate change convention was to unite the world in efforts to stabilise emissions of carbon dioxide, the principal cause of global warming, at 1990 levels by the year 2000. Instead, principally because of President Bush's opposition to these targets and timetables, the treaty to be signed contains only vague language and no specific goals.

This means that world leaders gathered in Rio must even now begin looking beyond the Earth Summit, to build a new global consensus that will create stronger agreements and real progress. We need to create a mechanism to ensure that the parties to the climate convention will meet regularly to strengthen their commitments in the light of scientific developments. We also need to support calls for increased energy efficiency and for increased reliance on renewable energy sources.

We must establish a strong and effective mechanism to carry forward the agreements reached at the Earth Summit. I have suggested establishing a Stewardship Council to deal with matters relating to the global environment, just as the Security Council now deals with matters of war and peace. Or we could establish a tradition of annual environmental summit meetings.

Heads of nations must commit themselves to improving overseas development practices to ensure that the projects are sustainable. One of the best ways of doing this is to increase the transparency of lending practices so that local communities and non-governmental groups have the opportunity to comment on proposals.

Working voluntarily, we must use every treaty and alliance,

every tactic and strategy, every plan and course of action to halt the destruction of the environment and to preserve and nurture our ecological system.

What is needed is a plan - call it a Global Marshall Plan for the environment - that combines large-scale, long-term, carefully targeted financial aid to developing nations.

Some strategic goals are obvious. For example, world population should be stabilised, with policies designed to create the conditions necessary for the so-called demographic transition - the historical change from a dynamic equilibrium of high birth rates and death rates to a stable equilibrium of low birth rates and death rates. This change has taken place in most of the industrial nations and in few of the developing nations.

We also need to develop environmentally appropriate technologies - especially in energy, transportation, agriculture, construction and manufacturing.

We must rethink the economic "rules of the road" by which we measure the impact of our decisions on the environment. We need to establish a system of economic accounting that assigns appropriate values to the ecological consequences of routine choices made by individuals and companies, and macroeconomic choices by nations.

Government must create a new generation of agreements that will embody the regulatory frameworks, enforcement mechanisms, incentives, and mutual obligations necessary to make the overall plan a success. These agreements must be sensitive to the vast differences of capability and need between developed and developing nations.

Finally, what is needed is an ecological perspective that does not treat the Earth as something separate from human civilisation. Looking at the whole means looking at ourselves.

If we do not see that we are a powerful natural force like the winds and tides, we cannot see how we threaten to push the Earth out of balance.

The author is a US senator. His book, *Earth in the Balance: Forging a New Common Purpose*, is published this week by Earthscan. Price £14.95.

## FT LAW REPORTS

## Bank rescue is tax deductible

LAWSON (HM Inspector of Taxes)

JOHNSON MATTHEY PLC House of Lords (Lord Keith of Kinkel, Lord Emslie, Lord Templeman, Lord Goff of Chieveley, Lord Jauncey of Tullichettle: May 14 1992)

MONEY contributed to the resources of an insolvent subsidiary by its parent company as a term of the sale of all its shares to the Bank of England to remove the threat posed by the insolvency to the parent's business, is a payment to preserve the parent from collapse, not to procure the transfer of shares, and is therefore a revenue, not capital, expense deductible from profits for corporation tax purposes.

The House of Lords so held when allowing an appeal by the taxpayer, Johnson Matthey plc, from a Court of Appeal decision that its \$50m injection into an insolvent subsidiary was a capital expenditure.

LORD TEMPLEMAN said Johnson Matthey traded in platinum. In 1984, it owned all the shares in Johnson Matthey Bankers (JMB), a banking company which assisted the financing of its trade.

On September 30 1984, JMB and Johnson Matthey realised JMB was unable to pay its debts and that without further capital it could not open for business the following day.

Johnson Matthey also realised that if JMB ceased business as a result of being unable to meet its debts, creditors of Johnson Matthey, particularly those who were also creditors of JMB, would demand immediate repayment and withdraw credit facilities.

If JMB could not open for business the following day, Johnson Matthey could not continue to trade.

In those circumstances, Johnson Matthey agreed to sell the JMB shares to the Bank of England for £1 and to contribute \$50m to JMB's resources.

The Bank of England agreed to buy the shares on those terms.

The \$50m repayment was necessary and was made to

enable Johnson Matthey to continue to trade. The objects were achieved and Johnson Matthey continued to trade.

Section 74 of the Income and Corporation Taxes Act 1988 provided that in computing profits of a trade, no sum should be deducted for expenses "not being money wholly and exclusively laid out or expended for the purposes of the trade".

The General Commissioners found, and it was not disputed, that the \$50m was wholly and exclusively laid out for the purposes of Johnson Matthey's trade. It was made for the purpose of preserving that trade and for no other purpose.

But that finding did not automatically enable Johnson Matthey to deduct \$50m in the computation of its profits. The deduction could only be made if the \$50m was a revenue, and not a capital expenditure.

The General Commissioners held that as a payment to preserve an existing business, the \$50m was of a revenue nature. Mr Justice Vinelott and the Court of Appeal concluded the \$50m was paid to get rid of the shares. They held it was a capital expenditure.

In *British Insulated and Helsby Cables v Atherton* [1968] AC 205, Viscount Cave said "where an expenditure is made, not only once and for all, but with a view to bringing into existence an asset or an advantage for the enduring benefit of the trade... there is very good reason... for treating such an expenditure as properly attributable not to revenue but to capital".

In the present case the \$50m payment did not bring an asset into existence, and did not procure an advantage for the enduring benefit of the trade.

So unless the payment was made for the transfer of an existing asset, namely the shares in JMB, the \$50m was not capital expenditure.

In *Mitchell v Noble* [1927] 1 KB 719, 737 Lord Hanworth MR, holding the relevant payment to be an income expense, said "a payment made in the course of business with reference to a particular difficulty... was made not to secure an actual asset to the company, but to enable the com-

pany to continue to carry on".

In the present case, the \$50m was made in the course of business, dealing with the particular difficulty which arose on September 30 1984 as a result of JMB's insolvency; and it was made to enable Johnson Matthey to continue to carry on business unimpeded by its association with JMB.

In *Anglo-Persian Oil* [1932] 1 KB 124, Lord Justice Romer pointed out that in applying the test in *Atherton* "enduring" meant "enduring in the way that fixed capital endures". The advantage did not need to be positive, but might consist in getting rid of fixed capital of an onerous character.

The item of fixed capital which was got rid of, the JMB shares, were not themselves of an onerous character. The \$50m payment had no enduring effect on Johnson Matthey's capital. It prevented the whole of Johnson Matthey's business from being brought to a grinding halt.

In *Southern v Bortax* [1941] 1 KB 111, Mr Justice Lawrence, holding that payments were revenue, said "if no alteration is made in the fixed capital asset by the payment, then it is properly attributable to revenue, being in substance a matter of maintenance".

By "maintenance" he was taken to mean "preservation". In the present case the expenditure preserved the whole business, though it did not preserve any particular asset.

In *Associated Portland Cement* [1946] 1 ALL ER 68, a payment was held to be a capital asset because the company had thereby improved the value of its goodwill and brought into existence an advantage for the enduring benefit of the trade.

In the present case, goodwill was not improved, but saved from extinction.

In *CIR v Carron* (1967) 45 TC 18 the expense of a new charter which facilitated administration and management of the company was held to be a revenue expense because the object was to remove obstacles to profitable trading.

The Johnson Matthey/JMB association was a formidable obstacle to trading at all.

In *Tucker* [1979] 1 WLR 683,

Lord Wilberforce said it was logical to start with the assumption that money spent on acquisition of an asset was capital expenditure. He said: "Extensions from this are first, to regard money spent on getting rid of a disadvantageous asset as capital expenditure; and, secondly, to regard money spent on improving the asset, or making it more advantageous, as capital expenditure."

In the light of the authorities, it seemed that if the \$50m was paid to procure the transfer of shares it was attributable to capital. If paid to remove the threat posed by JMB's insolvency to Johnson Matthey's continuation in business, it was attributable to revenue.

The \$50m was paid solely to enable Johnson Matthey to be able to continue in business. The shares were fully paid and worthless. They did not constitute a threat to anybody.

JMB's insolvency was a threat to Johnson Matthey, and the \$50m was paid to remove that threat.

The \$50m was not paid to persuade the Bank to take the shares. It was paid to persuade the bank to rescue JMB.

LORD GOFF agreeing, said the payment did not become a revenue payment simply because Johnson Matthey paid with the purpose of preserving its trade from collapse.

The question was rather, whether on a true analysis of the transaction, the payment was to be characterised as a payment of a capital nature.

That characterisation did not depend on motive or purpose. It depended on whether the sum was paid for the disposal of a capital asset.

On a true analysis, the sum was not paid for the shares. It was paid as a contribution towards the rescue of JMB.

It was a revenue payment. Their Lordships agreed with both judgments.

For the Crown: Alan Moses QC and Laurence Henderson (Inland Revenue solicitors).

For Johnson Matthey: Andrew Park QC and Thomas Iorrey (Taylor Johnson Garret).

Rachel Davies

Barrister

## PEOPLE

## Watkins heads exodus from Schroder Securities

Richard Watkins, chief executive of Schroder Securities until he left last week to set up his own Latin American investment banking group, has already lured with him to the new venture two Schroders colleagues. They are Swiss-born Pierre Mourgue D'Algue and Per-Arne Johansson of Sweden - two old friends who were in New York when he was there for Hoare Govett in the mid-1980s.

Mourgue D'Algue subsequently ran Schroder's Paris office and has spent the last

few months on "sabbatical" - setting up his own safari park in Kenya. He is likely to be based in Geneva to handle continental European clients.

Watkins, whose interest in the region was cemented by a spell in Caracas, also before he joined Schroders, says Latinvest Holdings, initially capitalised at \$30m, will be run out of both London and New York in the early days, selling the steady stream of Latin American equity issues to US and European investors. One of the founding shareholders is

Grupo InverMexico, the Mexican financial services group, and Watkins is now searching for a Brazilian shareholder.

In time, however, the bulk of the business is likely to be concentrated in New York; US investors are far more familiar with the Mexican and emerging Latin American markets than many of their European counterparts.

Watkins' parting from Schroder Securities is said to be amicable; the latter's strengths are primarily in the Far East, whereas the current opening

offers Watkins the chance to put some of his own capital, as well as all his time, the way of his Latin American enthusiasts. He hopes to have a team of 12 executives in place by the end of the year.

He is not being directly replaced at Schroders. Instead, the new chairman of Schroder Securities is Adam Broadbent, a main board director of Schroders and group managing director of corporate finance. He has just returned from two years in New York at Wertheim Schroder.

## Humphreys and Birkdale: 'a good fit'

## New directors for Southern Water

The appointment of Richard Humphreys as a non-executive director to The Birkdale Group, the marketing and human resources consultancy, will probably be viewed as the most interesting move in the UK marketing world this year.

The second occurred when Humphreys was fairly unceremoniously forced out from Saatchi and Saatchi in February, where he had been president and joint chief executive of Saatchi and Saatchi Worldwide, one of Saatchi's two international agency networks.

Saatchi's boss, Robert Louis Dreyfus, decided that Humphreys should make way for the American, Ed Wax, to take single overall charge of SSAW.

Wax was in London last week to oversee two days of SSAW managerial restructuring. Far from gloating at Humphreys' misfortune, Wax was eulogistic in his praise.

Throughout the advertising world - where open compliments and concealed stiletts



go hand-in-hand - there seems to be a genuine consensus that Humphreys is one of the nice guys of the business.

Neil McClure, Birkdale's chief executive and also ex-Saatchi, and Simeon Galper, financial director, formerly with WPP, who have been trying to tempt Humphreys to join since he left Saatchi, are cock-a-hoop.

Humphreys says he and Birkdale "are a good fit" and that the intention is for the

company to grow "fast and furious" acquisitions. He has spent the past two months "travelling the world" looking at suitable purchases. He is sanguine about the prospects for acquisitions, despite the wretched state of those marketing services companies which also gobbled others up in the 1980s; "everybody has learnt a lot since then."

Humphreys is to take \$14,000 new ordinary shares in the company for £2,750 a share - a 5 per cent discount to the current mid-market price - representing 4.76 per cent of the enlarged share capital of the company.

Under its new management Birkdale is beginning to pull itself into shape, chalking up modest pre-tax profits - \$54,000 - in the six months to September 1991. And once Humphreys takes up a senior executive appointment there later this year, we may hear more of the company - particularly if the economy takes off.

per cent stake in ITN.

Ewen Macpherson, the new chief executive of venture capital group 3i, has resigned as chairman and director of the Ship Mortgage Finance Company, a subsidiary of St. Brian Larcombe becomes the new chairman. It is traditional for the finance director of 3i to take the chair at this offshoot. Macpherson had been 3i's finance director until he was promoted earlier this year, and replaced by Larcombe.

William Courtney, who has combined the roles of chairman and managing director of Southern Water since the company was privatised over two years ago, has announced the appointment of a new group managing director.

Marty Webster, 45, the present group finance director, will take over his new duties on January 1 next year.

The move acknowledges the wider role that Webster has progressively played in the development of Southern Water since flotation, and ends an embarrassing episode for the company.

The managing director originally appointed to lead the former water authority into the private sector was found to be unsuitable shortly after and left almost immediately, leaving Courtney to do both jobs.

Webster's role of group finance director will be taken by Raymond King, who will join the main board on January 1, after joining the company as group finance director designate on June 1. King, 39, has spent the last 14 years at ICI in a number of senior finance posts both in the UK and overseas, most recently as controller, corporate operations.

Another new board member from January will be Keith Tozzi, 43, the deputy group technical director, who has been in the water industry since 1966 and has played an important role in the development of Southern's water and wastewater operations.

## ARTS

Opera  
Iphigénie  
en Tauride

Welsh National Opera have waited a long time - 45 years, to be precise - before tackling their first Gluck opera. Patience is bounteously rewarded: on Monday his penultimate work surged out into the New Theatre, Cardiff, with unstoppable force and speed: in clock-time the performance lasted just over two hours, in psychological time it passed in a flash, and with a searing immediacy that can have left few in the audience in doubt they were encountering one of the essential masterpieces of music-drama.

No theatre, said Gluck, can be too small for it; but the New, medium in size, "close-up" in sound projection, seems just about perfect as an *Iphigénie en Tauride* auditorium. This is an advantage of which the conductor, Charles Mackerras, takes full account. He remains unobtrusive as a Gluckian who combines "period" niceness of balance and modern communicative passion.

Playing and singing (in French never less than acceptable) are of the highest quality. Every note is rendered telling, reverberant with dramatic intensity precisely directed. The bareness of the score is made - as it must be - its supreme virtue: the silences speak as eloquently as the sounds, and where a single detail or colour (such as the grimly buzzing string tremolo in *Thaos's* aria) needs to set the tone, Mackerras works the effect with masterly authority.

It is not spacious Gluck conducting. Edges are hard. Rhythms have a kick. Marked neo-Classical grandeur gives way to immediacy of impact. This chimes with the style of the production by the admired young French team of Patrice Chaurier and Moshe Leiser (UK



Diana Montague as Iphigénie: worth crossing the country to hear and see

debut). Robes, drapes and columns are thrown out; the set is a box whose mobile partitions have been decorated with faint scratches and striations; the dress is harsh modern (grey skirts for the priestesses, bare feet for all). A single prop (chair, knife) takes on deep resonance as a poetic image. Blackness is indeed beautiful. The emphasis is on the trauma suffered by Agamemnon's survivors, the grip of fear and seemingly eternal violence in which both Greeks and Scythians are held. Since the physical action is so fiercely restrained, the small, stately physical gesture of consolation warmth between Pylades and Orestes becomes an emotional expression of overwhelming power.

In all these respects, and in its insistence on seeking out the meaning under the marble,

the production plainness manifests a genuinely Gluckian dramatic intelligence; but after a while it begins to seem rather a one-note sort of plainness. There is a lack of conversational variety, of detachment, of "architecture". With the same look of vacant-eyed misery Iphigénie sing her four very differently expressive arias. Though in a programme interview Mr Leiser marvels at the way "every situation... relates to the suffering that we can experience nowadays", he and his partner have not found a way of "relating" the funeral rites that should close Act 2. The decision to cut this sublime passage leaves a scar on the whole enterprise.

Luckily, strong advocacy for the production style comes from the excellent cast. Diana Montague, an experienced Iphigénie (in France and on

record), has never sung better on any British stage. Her soprano-ish mezzo carries a rounded gentleness of timbre not usually associated with this most imposing of dramatic sopranos. Perhaps the last degree of dramatic soprano fire is missed - but how musically she deals with the tessitura agonies of "O malheureuse Iphigénie!", how clear and fine her declamation! This titular heroine is worth crossing the country to hear and see; and so are those of the Orestes and Pylades, Simon Keenlyside and Peter Bröder. On a key-up first night Mr Keenlyside's lean high baritone sounded hard tested, but he, more than anyone else on stage, finds the expressive centre in economy of gesture and movement and nowhere more than in the brilliantly staged account of Orestes's

guilt-vision. Mr Bröder youthfully vibrant tenor rings out with exciting freedom; Pylades's role in the drama is made movingly fresh and artless. The dark-toned bass-baritone of Peter Sidhom takes a gallant, health-risking shot at *Thaos's* exhausting aria (but Mackerras should consider adopting the Gluckian precedent of lowering it a tone). Among the smaller roles the Diana of Alwyn Mellor, an Iphigénie of the future, stands out. No less than its recent, much-acclaimed *Pelléas*, this WNO *Iphigénie en Tauride* is a bold stage venture vindicated by its music-making.

Max Loppert

In repertory until May 28, then on tour until July 16

## Cannes Film Festival/Nigel Andrews

## Quirks of fate supplement the prize line-up

At my prep school they used to show a feature film on the last night of term. No matter what it was - *Chinatown*, *Kane* or *Corry On Up*, *The Keyhole* - the same air of punchdrunk euphoria reigned. The assembled schoolboys knew that their bags were packed and that there were twelve hours to freedom.

It was the same at the end of the 45th Cannes Film Festival. We had written our final exam papers and attended every competition sitting; soon we would hear about the prizes. Now all we had to do was watch *Ton Cruise* in the non-competitive closing movie *Far and Away*. This exuberant load of tooth, the first film shot in 65-millimetre since *Ryan's Daughter*, has Cruise as a young Irish peasant who streetfights his way from Connemara to Oklahoma, via Boston, in the 1890s while falling in love with Nicole Kidman (a.k.a. Cruise's offscreen girlfriend).

The Cannes audience loved the film. They cheered when Cruise first kisses Kidman in front of a snow-patterned window with tinkly Christmas harp music from John "ET" Williams. They cheered the climactic Oklahoma land race

and ensuing punch-up between hero and villain for Miss Kidman's hand. Most of all they cheered the fact that Cannes had nothing left to throw at them. Now more than ever was it rich to leave.

The final days brought some piquant addenda, but they were provided less by Hollywood than by North America's shoestring divisions. The expected mega-treats disappointed. David Lynch's *Twins Peaks: Fire Walk With Me* is a catchpenny prequel to the TV series; Sidney Lumet's *A Stranger Among Us* is a dark cop thriller with Melanie Griffith going undercover among New York's Hasidic Jews, and Gary Sinise's *Of Mice And Men* is a Steinbeck adaptation notable only for John Malkovich's touching Lenny.

I enjoyed far more two lesser-budget films drawn from their makers' own lives. In the Directors Fortnight actor John Turturro presented his writing-directing debut *Mac*. This low-budget tale of a self-made Italian-American housebuilder (Turturro) and his battle for honest values in a corrupt world is a touch loudhauled: like an Arthur Miller script directed by Federico Fellini. But at best it is also powerfully funny, with Turturro a marvel

in the lead role based on his own father.

From Canada came Jean-Claude Lauzon's *Leolo*. The 12-year-old hero is the film-maker himself, growing up in a ramshackle family flat in 1980s Montreal where puberty, poverty and an army of poty relatives surge around him. Especially eye-catching are Grandpa, who is dispatched to a mental asylum during the brief intervals when Leolo is not trying to kill him, and nosebleed Big Brother who trains himself to look like a Schwarzenegger but still gets sand kicked in his face by the passer-by. Like *Mac* the film is loud, episodic and all *Italiana*. It is also witty, infectious and winningly candid about sexual self-discovery.

The last days of Cannes are devoted in part to catching up with missed films that colleagues tell you are masterpieces. This is never a gratifying pastime. Either the colleague is right, in which case you are late with the scoop. Or the colleague is wrong, in which case you want to brain him.

Braining has been *à la mode* at Cannes in 1992. Top of the films I could have spent my life without seeing is Victor Erice's *The Sun In The Face*, which

even though it shared the Prix du Jury and won the International Critics Prize. This 2½-hour Spanish docudrama about a painter painting, yes, a sunlit quince tree manages the remarkable feat of seeming both artless and pretentious. In a grainy mixture of film and video, it drones on trying to achieve its quasi-religious minimalism. But we never feel cinematically the sensual magic of the artistic process, proclaimed in words by the real-life painter Antonio Lopez.

Nor do we know why there are so many extracurricular shots of railway lines or TV sets glowing in night apartments or Mrs Lopez pottering around the house. So we come to the 45th Cannes Film Festival prizes. Jury president Gerard Depardieu walked onto the stage, with that hunched-shouldered rolling gait we know from a hundred French movies, like a bear searching for honey. And soon we knew which pony-hot he was going for. The Palme d'Or winner was Bill August's *Best Intentions*, praised on this page last week and cheered again at Cannes last night. The majestic Ingmar Bergman-scripted period epic, based on the lives of Ingmar's own parents, also won Best Actress for Pernilla August, the director's wife, who played Bergman's mother.

If you can cope with that dynastic tangle, how about the evening's other coincidences and convolutions? America's *The Player*, as well as winning Best Director for Robert Altman, won Best Actor for Tim Robbins, seen here most recently squinting his first film as director - the available political satire *Bob Roberts* - through the festival. And John Turturro, last year's Cannes Best Actor for *Barton Fink*, also brought his directing debut to Cannes, the aforementioned *Mac*, and ran off with the prestigious Camera d'Or award for Best First Feature.

One other Cannes quirk of fate. Bill August was the first non-American to win the Palme d'Or for four years. The last non-American to win the prize was - Bill August. That was for *Pelle The Conqueror* in 1988. What a tangled web the film festival world weaves. This writer is now awarding himself a personal Palme d'Or for getting through it all - the confusions, coincidences and critical rigors - and is departing into well-earned anonymity in central France.

Pernilla August, the director's wife, who played Bergman's mother.

Today at Lucknam Park near Bath BBC governors and members of management begin a three day conference on the future of the corporation. A deluge of speculation has already inundated us, thanks largely to the inept handling of the reports from 15 internal task forces set up to ponder the future of the BBC from many points of view prior to the renewal of the corporation's charter in 1996. Much of this speculation has been malicious, coming from mass media competitors which are in competition with the BBC, and several facts are notable for their absence from the deluge. First, compared with almost any other major British undertaking in the past 50 years - from education to textiles, from publishing to the motor industry - British public service broadcasting has been an extraordinary success. Internationally it has the very highest reputation, and nationally it is immensely popular. Second, whatever form BBC financing takes, the viewers and listeners will always pay for programmes, whether via the licence fee, at the supermarket checkout, or through subscriptions. The licence fee has so far

## Television/Christopher Dunkley

## The feel-good factor

Following the reactions of the American gay lobby to the movie *Basic Instinct* and now RAF widows in Britain to the BBC1 drama *Friday On My Mind* we can, presumably, expect the formation of an organisation dedicated to the banning of *Coronation Street* and *EastEnders* because they fail to show publicans as saints. No doubt Danish aristocrats will get together and agitate for the suppression of *Hamlet* on the grounds that it portrays a Danish prince as verging on the barmy. The American homosexuals condemned *Basic Instinct* because they said, it depicted the supposed murderer as a lesbian. Actually the whole point was that she was bisexual, hence the torrid affair with the cop, but never mind that. Must all fiction henceforth portray all lesbians (or bisexuals) as angelic upholders of the law? The widows of four RAF aircrew killed in the Gulf have, we are told, "bitterly condemned" *Friday On My Mind* because it shows the widow of an RAF pilot, killed in Wales, having an affair with the married man appointed as her "effects officer".

The widows complain that the drama is "over dramatised and inaccurate" and there were, indeed, some pretty silly scenes in the opening episode, notably the widow's hysterical attack on the air traffic control officer and her tearful night time run across the aerodrome, arms outstretched against luscious blue backlighting, into the path of a taxiing jet fighter. It did look as though someone had failed to get beyond the opening chapter of *Teach Yourself Psychiatry*. Nevertheless, it is time that special interest groups gave the general public credit for some imagination and common sense. Everybody belongs to one group or another - rich, poor, black, white, doctors, hairdressers - and if every group succeeded in demands to have its members always portrayed in a flattering light, drama would cease altogether. We do know the meaning of "drama" and "fiction".

It is significant that the funniest moments in the opening episode of ITV's *Root Into Europe* came at the beginning when George Cole in the title role was found writing some of the blimpish letters to celebrities which gave rise to William Donaldson's book in the first place. Once away from that pretence and into the realities of the Channel ferry and then Paris, nothing was quite as laughable. It all seemed awfully dated. It is 26 years since Johnny Speight brought us that unforgettable xenophobic male chauvinist Alf Garnett, and even then the character seemed like something left over from the thirties. Root is a middle class version of Garnett but today, with millions of Britons having become seasonal Continental travellers, it feels terribly old fashioned to be going through the "frightful froggies" and "randy Eyeties" routine again.

Does anybody understand why programmes about the environment are not subject to

the same requirements of evidence, balance, and journalistic rigour as other current affairs programmes? Presumably it must be because, consciously or sub-consciously, broadcasters regard environmentalism as more to do with faith than facts; religion rather than science. That must be why you are not allowed to point out on television that nobody knows how long the famous hole in the ozone layer has been there, five years or five million. Presumably it is why you are not allowed to say that one day's volcanic eruption sends as much dangerous chemical matter into the atmosphere as a whole year of aerosol use by the entire human race. No doubt it is why you cannot tell viewers that 80 per cent (or is it now 90?) of those newspapers driven to the dump in fossil-fuel guzzling motors is used for landfill because the recycling industry only has the capacity to use 20 per cent.

Such revolutions would offend against the faith; what matters is not facts but the feel-good factor. How else can



Pat Heywood and George Cole as Mr and Mrs Root

pointed out that it had, as ever, taken a major controversy before broadcasters invited scientists into the studio. Admittedly there was, shortly after that *Late Show*, a splendid Open University programme called *This True Book Of Ours - The Human Body* on the history of human anatomy and especially the work of Vesalius. However, this was the exception, not the rule, and the programme did not begin until midnight.

The BBC's director-general in waiting, John Birt, is widely reputed to favour more serious analysis and less trivial human interest material in current affairs programmes. Maybe that why it is becoming standard practice for any BBC programme which wants to do a story about the royal family to present it in the form of analysis of the tabloid press as though television itself would never stoop to such things. This is now habitual on *Newsnight*, where Jeremy Paxman's smootiness about the tabloids is deeply comic, given that he is reduced to feeding not from the same trough but secondhand from others after they have done so. In last week's *Public Eye* on BBC2 the reporter talked superciliously of "gossip columnists and hacks feeding off royalty," as though she believed herself to be working for god's gift to intellectuals. This from someone whose own script told us that "The family's image has backfired".

INTERNATIONAL  
ARTS  
GUIDE  
TODAY'S EVENTS

## BONN

Oper 20.00 Thomas Fulton conducts Simon Boccanegra, with Bernd Weikl in the title role, repeated on Sat. Fri: Ronald Hynd's ballet *Rosalinde* (773887). Tomorrow in Beethovenhalle: Stanislaw Skrowaczewski conducts Bruckner's Eighth Symphony (773888).

## BUDAPEST

OPERA/THEATRE Tonight's performance (18.00) at the Erkel Theatre is La Gioconda, sung in Hungarian. The repertoire also includes Die Zauberflöte, Hänsel und Gretel and Kodaly's Hary Janos. The State Opera has a ballet gala on Sat and Erkel's patriotic opera Bank ban on Sun. Viktor Nagy's new production of Wozzeck opens on May 28. The Madach Theatre has Cabaret and the Andrew Lloyd Webber/Tim Rice musical Joseph and the Amazing Technicolor Dreamcoat. CONCERTS Tonight at the Bartók Memorial

House, the Falloni Chamber Orchestra plays works by Rossini, Saraste and Paganini. Fri: György György gives a piano recital. Fri and Sun at Buda Castle: Tamas Pal conducts the Salleri Chamber Orchestra in works by Farkas, Mozart and Bartók.

Pre-booking for concerts at National Philharmonic Booking Office (Vörösmarty tér 1) and for opera at Central Theatre Booking Office (Andrássy út 18), also at theatre box offices.

## COLOGNE

MUSIC Dmitry Bashkurov gives a piano recital tonight in the Philharmonie. Tomorrow: Theodor Geraets plays Bruch's Violin Concerto. Sun: Vladimir Ashkenazy conducts symphonies by Brahms and Zemlinsky (2801). The Opernhaus repertoire includes Zar und Zimmermann, Carmen and a ballet by Jochen Ulrich (221 8400).

THEATRE George Tabori's Jubileum opens tonight in the Kammertheater. Sat in Schauspielhaus: Werner Schroeter directs a new production of Die Soldaten, 18th century play by Jakob Lenz (221 8400).

## COPENHAGEN

Tivoli Concert Hall 19.30 Rossini's *Pirolight* sings arias by Wagner, Verdi and Tchaikovsky, with the Tivoli Symphony Orchestra conducted by Andrew Greenwood. Tomorrow: Paavo

Berglund conducts Sibelius' Fifth Symphony. Sat: Leif Segerstam conducts Mahler's Seventh. The seasons till mid-September (3315 1012).

## FLORENCE

MAGGIO MUSICALE Tonight at 20.30 in the Teatro Verdi, Valery Gergiev conducts soloists and ensemble of the Kirov Opera in a concert performance of Mussorgsky's *Salammbô*. Tomorrow: Prokofiev's Alexander Nevsky and Shostakovich's Fifth Symphony. Tomorrow in Teatro della Pergola: Heinz Holliger and Andras Schiff. Next Tues: Pekinel Sisters. The festival continues till July 1 (277 9236).

## FRANKFURT

MUSIC Music from the Musicals is tonight's show at the Alte Oper. Tomorrow: Evgeny Kissin plays Mozart's Piano Concerto No 27 with the Lithuanian Chamber Orchestra. Fri: Tabeta Zimmermann and Hartmut Höll play Brahms viola sonatas. Sat: Lorin Maazel conducts the Pittsburgh Symphony Orchestra (1340 400). The Opernhaus has a new production of Aribert Reimann's *Troades* on Sat, conducted by Hans Drawanz and staged by Kurt Horres. The only other performances this week are William Forsythe's ballet *Slingeland*, on Fri and Sun (236081). THEATRE Tonight's performance at the

Schauspielhaus is *The Merchant of Venice*, directed by Wolfgang Engel, also Fri. Tomorrow: Uncle Vanya (2123 7444). The English Theater Kaiserstrasse has August Wilson's Pulitzer Prize-winning play *Fences*, daily except Mon (2423 1620).

## LONDON

Covent Garden 19.00 Puritani! with June Anderson and Giuseppe Sabbatini, also Sat. Tomorrow: La bohème. Fri: Salome (071-240 1068). Coliseum 19.00 Nicholas Kok conducts a revival of David Freeman's ENO production of Monteverdi's *The Return of Ulysses*, with Anthony Rolfe-Johnson and Jean Rigby. Runs till June 19. Tomorrow: John Buller's new *Bacchae* opera (071-836 3161).

Royal Festival Hall 19.30 Yan Pascal Tollerer conducts the Philharmonia in Walton's *Crown Imperial*, Elgar's Cello Concerto (Janos Starker) and Sibelius' Fifth Symphony. Tomorrow: Elgar's *The Kingdom* (071-928 8800).

Queen Elizabeth Hall 19.45 Bheki Mseleku, South African jazz pianist. Tomorrow: London Sinfonietta (071-928 8800). Barbican 19.45 Stockton's Wing, Irish folk band. Tomorrow: Academy of St Martin in the Fields (071-638 8891).

## NEW YORK

THEATRE The Substance of Fire: Jon Robin Baitz's play about an

intransigent publisher at odds with his grown children (Mitzel E. Newhouse, Lincoln Center, 239 6200).

Death and the Maiden: Mike Nichols' Americanised version of Ariel Dorfman's play, with Glenn Close, Richard Dreyfuss and Gene Hackman (Brooks Atkinson, 256 West 47th St, 307 4100).

The Best of Forbidden Broadway: Centenary edition of Gerard Alessandrini's musical revue (Theatre East, 211 East 80th St, 838 9090).

Five Guys Named Moe: the guys are black dancers and singers of extraordinary ability, who perform the songs of the late Louis Jordan (Eugene O'Neill, 230 West 49th St, 239 6200).

## PRAGUE

SPRING FESTIVAL Tonight and tomorrow the Vienna Symphony Orchestra, conducted by Rafael Fröhbeck de Burgos, gives concerts at the Smetana Hall. Tonight's other events include a recital of Liszt piano transcriptions by Leslie Howard at the Rudolfinum and a concert of music for brass by the Wallace Collection at the Wallenstein Palace. In tomorrow's concert by the Suk Chamber Orchestra at the Rudolfinum, Cristina Ortiz is soloist in Mozart's Piano Concerto No 27. Fri and Sat afternoons at St Vitus Cathedral: Patrick Fournillier conducts Massenet's oratorio La Vierge. Sun and next Tues in Estates Theatre: Charles Mackerras

conducts Don Giovanni. Sun in Rudolfinum: Academy of Ancient Music. More concerts by Orpheus Chamber Orchestra and Czech Philharmonic Orchestra. Tues: concert by Prague Chamber Philharmonic Choir and Slovak Philharmonic Orchestra (cello soloist Julian Lloyd Webber). The festival runs till June 1 (530293).

Events outside the festival programme include a new production of Ambroise Thomas' opera *Mignon*, opening on Sat at the Prague State Opera (formerly Smetana Theatre). The National Theatre has Katya Kabanova tonight and La bohème on Sat. More information from city centre ticket agencies (Bohemia, Na Příkopě 16, 228738, or Melanich, Wenceslas Square 38 in the passage, 228714) and theatre box offices.

## ROME

Teatro Valle 19.30 Nello Santi conducts Silvia Cassini's production of *Aida*, also Fri and Sun. Tomorrow and Sat at Teatro dell'Opera: The Merry Widow (488 3541).

## ZURICH

Opernhaus 19.30 Nello Santi conducts Gianfranco de Bosio's new production of *Semiramide*. Tomorrow: ballet double bill. Fri: L'italiana in Algeri. Sat: Rigoletto. Sun: Guglielmo Tell (262 0509). Tonhalle 19.30 Tonhalle Orchestra in works by Gershwin, Shostakovich and Borodin, repeated next Tues (201 1580).

## European Cable and Satellite Business TV

(all times CET)

## MONDAY TO FRIDAY

CNN 2000-2030, 2300-2330 World Business Today - a joint FT/CNN production with Grant Perry and Colin Chapman.

Super Channel 0830-0900 (Mon) FT East Europe Report - weekly independent analysis from FTTV. 2100-2200 (Tues) Media Europe - what's new in European media business. 2130-2200 (Wed) FT Business Weekly - global business report with James Selini. 0830-0900 (Thurs) Media Europe. 2100-2200 (Thurs) FT Eastern Europe Report. 0830-0900 (Fri) FT Business Weekly.

Sky News 8130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly.

## SATURDAY

CNN 0800-0930 World Business This Week - a joint FT/CNN production 1800-1930 World Business This Week.

Super Channel 1830-2000 FT Eastern Europe Report.

## SUNDAY

CNN 1030-1100, 1800-1830 World Business This Week.

Super Channel 1330-1400, 2030-2100 FT Business Weekly.

## FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL

Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Wednesday May 20 1992

## New realism in Germany

GERMANY has stepped back from the abyss. In a little over 24 hours following Monday's wage settlement, the spectre of damaging strikes in the engineering industry and renewed unrest in the public sector has disappeared. The prospect of a year or more of industrial stability and falling inflation in the western larder are good. But the threat of crisis has not been eradicated; the struggle over how to spread the burden of unification has only been prolonged.

The sudden outbreak of peace in the engineering industry demonstrates how premature were the plethora of obituaries for Germany's consensus-seeking decision-making. The extent of the compromise, and the speed with which the building workers have fallen into line, demonstrates how much both unions and employers wanted to avoid a confrontation.

Little wonder the west German political establishment has breathed a deep sigh of relief. The wage agreements, while high by German standards, do not spell danger for industrial competitiveness; and the fact that the unions appear to have accepted the need for wage restraint should be enough to remove the threat of higher interest rates.

Yet the canker remains. Prospects in the west may have improved, but the plight of the eastern larder continues to deteriorate. Output per head has collapsed, capital investment is depressingly low, and the official unemployment rate has risen to 15 per cent. Adding all the hidden unemployed on various schemes increases the proportion of the potential work force without jobs to 40 per cent. What economic activity is occurring in the east remains largely dependent on transfers from west German taxpayers. Net transfers are expected to rise to 81 per cent of east German output this year.

## Half-open government

YESTERDAY'S moves to expose some of the workings of government to public scrutiny are welcome if long overdue. The publication of the membership of Cabinet committees will not change the world. And the 130-paragraph Questions of Procedure for Ministers is unlikely to enter the best-seller lists. But the workings of government will become marginally more transparent, allowing voters greater insight into what goes on in their name.

Defenders of the old order such as Lord Armstrong, the former Cabinet Secretary, have warned that the removal of such restrictions means the end of ministerial solidarity. If every backbencher knows that the Cabinet has overruled the recommendation of a committee, the committee members will be unable to maintain straight-faced the convention of collective responsibility. It will be impossible to challenge foreign dictators or vanquish insurgents at home, the doomsters say, if ministers cannot present a convincing picture of unity.

Such scenarios are less than convincing. Ministers who fall out with colleagues are already adept at using the lobby system to advance their case. Cabinet splits emerged during the Falklands War and the miners' strike without seriously impairing the government's efforts. Good government can withstand public scrutiny - indeed is more likely to thrive under it.

The government is promising more openness to follow. Mr William Waldegrave, the minister in charge of the reforms, has found more than 150 restrictions on the disclosure of information which he hopes to tear up. Mr Major wants to clear the attic of Whitehall of old documents withheld from the public long after 30 years has expired.

**Veil of secrecy**  
All of this is commendable. Two world wars shrouded British public life in a veil of secrecy which is only now being gingerly cast off. It is often easier to research recent British history in the US with its freedom of information legislation or even in the voluminous records of the old Soviet intelligence services which are now fully open to public examination.

The government rightly claims

These wage convergence deals should be rethought; but the ease with which skilled workers can migrate mean that wages will still converge faster than productivity. Unemployment in the east will stay high for some time. One way or another the west German government will have to subsidise eastern living standards.

## Inefficient industries

Yet the government is currently impeding rather than speeding the transformation. The most inefficient industries should be allowed to close; but instead they receive the lions share of subsidies from the Treasury. Rather than paying people to do nothing, government should instead subsidise employment in the private sector. The subsidies should be temporary; but by closing the gap between east German wages and productivity, they would encourage the growth of private industry, rather than public idleness.

Yet whether the transfers subsidise employment or unemployment, the flow will continue for years. The cost of these transfers was inevitably going to place great strains on the social consensus in the west. But these strains have been magnified by the willingness of the government to demand of the west German people the necessary sacrifices.

The pain is not over. Despite last year's tax increases, public borrowing continues to grow at an unsustainable pace. The government's commitment not to increase taxes further already looks unrealistic. If it plans to stick to its pledge to bring borrowing under control, then government will have to cut spending. The candidates for cuts are numerous - subsidies in agriculture and steel, and local government spending. Government at federal and local level must specify where the axe will fall.

The bravery of Mr Kohl's embrace of unification in 1990 has been matched by the poverty of his subsequent policy actions. But the events of the last few months should have taught him and his colleagues the error of their ways. It is time for Mr Kohl to come clean. If the coalition government fails to act decisively, there will be more confrontation and, quite possibly, a new government in 1994.

that it has done much to make more official information available. Computerised data are now largely open on demand. Patients can inspect their medical records. Much more information is published about the performance of the public services.

But Britain remains a country of unnecessary secrecy. Much government information about safety, for example, is unavailable to the public which pays for its collection. If information about the safety of pesticides can be published without breaking commercial confidence, why does not the same apply to new medicines?

## Public domain

Fire inspections carried out in London Underground stations are in the public domain; those on British Rail are not. The Transport Department tests new cars for pollution standards and safety - and refuses to make the results available to consumers. Coroners' courts withhold documents on fatal accidents from government-funded safety researchers.

Equally, the unfortunate imbroglio over the deaths of nine British servicemen in the Gulf "friendly fire" incident has been magnified by official secrecy. The desire to sweep the incident under the carpet has added to the burden of bereaved families, damaged the reputation of the UK government, and almost certainly made transatlantic relations worse.

The government claims that a Freedom of Information Act would not help because it would deluge the citizen with information, much of it useless. Far better, ministers say, to create a culture in which the government machine releases willingly the information which the citizen needs. Such paternalism is not good enough: it is for the citizen to make the decision about what he or she wants to know. If there are reasons for withholding it - on national security, commercial confidentiality or other acceptable grounds - the government must justify it case by case, subject to independent appeal.

If Mr Major wants to go down in history as the instigator of open government - an honourable aim - he will in the end have to take on the vested interests which resist a Freedom of Information Act.

One of the enduring myths fostered by Thais about their country is that there is a peculiar and subtle "Thai way" of conducting business and politics. The phrase is used to explain everything from compromise and flexibility to corruption and hypocrisy.

Even in the face of evidence to the contrary, Thais have long been proud of what they see as a unique system of avoiding confrontation and unpleasantness. "We Thai people hate violence," said a shop owner on Monday from a vantage point at the top of a Buddhist temple, even as gunfire echoed through the capital and rioters set fire to a car in the street below.

The concept of the "Thai way" has been shattered by the events of the past few days. "Welcome to Thailand," said a Thai businessman when he spotted a foreigner in a lift in a city centre office building yesterday. "Land of smiles - and bullets."

The sight of soldiers shooting democracy demonstrators - at least 21 people are reported to have been killed and hundreds injured in the past three days - and of rioters ransacking government buildings, has appalled local businessmen and foreign investors who once put their trust in the "Thai way".

Army brutality and the savagery of the rioters makes an ugly contrast to the growing industrial and financial sophistication of Bangkok. Thailand has undergone rapid economic development in the past decade, based on foreign investment and export promotion, but the political system of military influence, corruption and patronage has failed to evolve at the same pace.

The fact that this failure, which is shared to a greater or lesser extent by the other dynamic economies of south-east Asia, has become such a critical obstacle to stability in Thailand is disturbing news for foreign investors in the region.

Japan in particular has been making unusually loud anxious noises. "The Japanese government is deeply concerned about the rising tensions in Thai politics and wishes a peaceful and rapid return to order," Mr Koichi Kato, the Japanese government spokesman, said yesterday.

Foreign investors had been wary of Thailand since last year's coup d'état arranged by General Suchinda Kraprayoon, who was then armed forces chief and is now struggling to retain his new post as prime minister. Net foreign direct investment from Japan, Europe, the US and elsewhere fell to \$1.2bn last year from \$1.5bn in 1990, and investment in the stock market was down to \$8.5m from \$45.5m.

But it has taken a series of pro-democracy demonstrations to convince many Thai and foreign businessmen that there was a real danger of confrontation. Less than two weeks ago Mr Olarn Chaiprawat, the senior vice-president of Siam Commercial Bank, said he was telling worried foreign businessmen that "there would not be anything violent and the situation should return to normal soon".

This week's events will compound the problems Thailand now faces as it seeks continued investment. It faces stiff competition from industrial exporters in south-east Asia, such as Indonesia, which have lower wage costs. Thailand needs infusions of foreign capital and technology to shift the emphasis from textiles and agricultural products to electronics and other high-technology industries. It also needs to raise from local and foreign

Unequal rates of economic and political development have brought violence to the streets of Bangkok, says Victor Mallet

## Ugly roar from a young tiger

sources an estimated \$8bn over the next five years for transport projects in the Bangkok area alone, as well as finding funds for other infrastructure improvements throughout the country.

For the moment, the economy shows little signs of losing steam. After three years of double-digit economic growth between 1988 and 1990, it expanded by more than 8 per cent last year. While this has made Thais in general and the inhabitants of Bangkok in particular increasingly prosperous, several factors have undermined their sense of wellbeing: severe pollution, the inability of chronically weak political institutions to reflect their concerns, and the absence of the rule of law.

It is no coincidence that the violence has been centred on Bangkok, where the dislocation between economic sophistication and national political immaturity is so glaring. Bangkok is the only large city in Thailand; the metropolis and the area around it account for three-quarters of the country's industrial gross domestic product, and it is in Bangkok that most of the educated elite and the middle class reside.

Mr Chamlong Srimuang, the ascetic Buddhist arrested by troops on Monday, is immensely popular among almost all sections of Bangkok society. He opposed corruption during his two terms as the city's mayor and his Palang Dharma (Moral Force) party won 32 of the 35 seats in the general election in March this year.

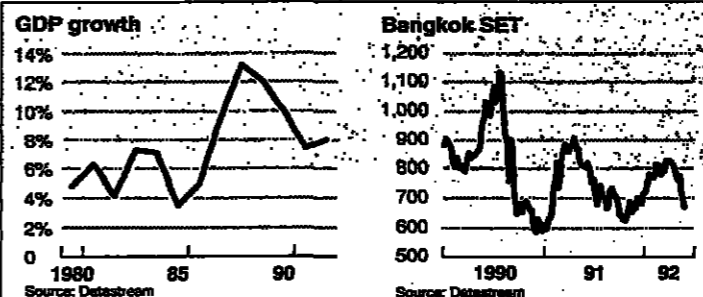
Nationally, however, the election was won by a coalition of five pro-military parties which used the traditional method of cash hand-outs to buy the votes of millions of peasants in the countryside. The Samakki Tham (Justice Unity) party which won the largest number of votes was an organisation established after the 1991 coup specifically to entrench the influence of the military establishment in civilian politics.

The inadequacy of Thailand's corrupt, quasi-democratic political system and its failure to meet the aspirations of Bangkok's middle class is a more profound reason for this week's violence than the ineptitude of Gen Suchinda himself.

After he arranged the 1991 coup which overthrew the elected government of Gen Chatichai Choonhavan on the grounds that it was too corrupt, the military surprised and delighted the foreign and local business community by appointing Mr Anand Panyarachun, a respected businessman and former diplomat, as interim prime minister.

It was an inspired choice, and the Anand administration was regarded as the best that Thailand has ever

Thailand's economy: Tigerish growth based on exports and foreign investment



Total foreign investment	1987	1988	1989	1990
Baht m (\$1=25.4935 baht)				
Japan	24,929	77,019	90,569	50,336
US	4,430	17,028	14,123	22,173
UK	1,993	6,967	12,493	4,382
Others	3,918	4,204	24,900	9,267
By sector				
Electrical appliances	1,137	6,309	6,497	n/a
Chemicals	868	1,947	2,525	n/a
Construction	1,349	1,639	3,510	n/a

had. Mr Anand built on the achievements of Gen Prem Tinsulanonda, prime minister for eight and a half years until 1988, by pushing through a series of economic liberalisation measures and resisting demands for more weapons from the military officers who had appointed him.

His tenure, which ended with this year's election and the subsequent imposition by pro-military parties of Gen Suchinda as prime minister, now seems like a pleasant dream compared to the horror of the past few days.

shrug off Thailand's usually bloodless coups - there have been 18 since the end of the absolute monarchy in 1932 - are now profoundly concerned, although they say it is too early to make accurate predictions of the damage to the Thai economy.

"It's very bad news," said one foreign banker yesterday. "I told my staff today that they won't get sacked tomorrow, but that they should have no illusions: this is going to be bad for our business."

Tourists - more than 5m visited the country last year and earned Thailand more than \$4bn in foreign exchange - have already begun to cancel holidays. The impact on commerce and industry is more difficult to assess, but rumours of renewed rioting prompted most shops and offices in the capital to send their staff home and close early yesterday.

The head of one multinational company predicted that Thailand would find it difficult to raise money on international markets and could face difficulties with its balance of payments. "Thailand might have lost a year of economic development because of the violence," he said. "It looks like you're not talking just about something getting a bit out of control, but a much deeper problem."

Thai businessmen appear to be universally gloomy. After a holiday on Monday, the stock exchange index fell nearly 9 per cent yesterday to its lowest level this year, with many stocks falling to the lower limits set by the exchange. Thais queued at banks to withdraw money from their accounts.

In an attempt to calm the markets, the central bank said it had prepared a 30bn baht cash reserve to provide commercial banks with standby baht funds and was ready to draw from its \$20bn foreign exchange reserve to meet any heavy demands for US dollars. For the time being, the responsibility for containing the damage to Thailand's reputation as a haven for investors rests with Gen Suchinda and his military colleagues.

The signs last night were not hopeful. In an abrasive statement on national television, Gen Suchinda blamed the violence on communist instigators, while the citizens of Bangkok - few of them communists - seemed adamant that they would continue to demand his resignation. Although young men who have been seen burning cars and smashing traffic lights in the city centre, Bangkokians rich and poor generally blame Gen Suchinda and the military rather than the rioters for the trouble.

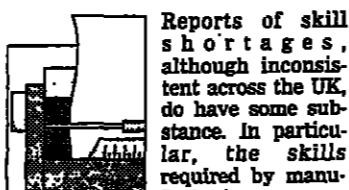
These are the worst disturbances since the 1970s and one of the hopes espoused by Thais is that their revered monarch, King Bhumipol Adulyadej, will intervene to help change the government as he did when student demonstrators confronted the authorities in 1973. Another possibility is a split in the military and yet another military coup.

"Thailand," wrote Joseph Wright in *The Balancing Act*, his history of the country, "is full of optimism. Thais like to believe that things, sooner or later, will work out for the best." Yesterday, however, Thais were uncharacteristically pessimistic, knowing that they will need to call on all their famed spirit of compromise to return the country to political and economic stability after the disastrous events of this week.

## PERSONAL VIEW

## Bring back apprentices

By Malcolm Craig



Reports of skill shortages, although inconsistent across the UK, do have some substance. In particular, the skills required by manufacturing companies and by users of information technology have become a focus of attention.

There have been various theories about causes. One of the most common is Britain's failure to invest in training. But little consideration has been given to a possible relationship between skill shortages and the decline in apprenticeships. This decline shows signs of slowing. ICI and British Steel have significantly increased the number of apprentices being recruited. There is little evidence, however, that this has become a national trend. It can be argued that neglect of apprentice provision has damaged the UK's industrial base.

Critics of the old apprentice system claimed that it was rigid and nurtured prejudices about skills and how they should be taught. Apprentices, they said, had become too closely identified with restrictive craft practices. In particular, the strict demarcation of work.

Changes were needed in the design, timing and presentation of apprenticeships. But the response - to put them into decline - has proved to be a mistake, and is a good example of throwing the baby out with the bath water.

The "baby" is job-specific training and education. Too much training today is in the form of short courses, isolated from actual jobs. Fundamental to the concept of apprenticeship is the aim of introducing a person to a specific area of employment to learn essential skills

and knowledge. This is in sharp contrast to teaching someone skills and knowledge that it is claimed, can be transferred to different jobs.

An apprentice joins a group of like-minded people who wish to follow a particular occupation, and to reach a predetermined goal; in other words, learning is both directed and purposeful. The professions - medicine, law, accountancy - have retained the concept of apprenticeship. Practitioners serve what can be recognised as an apprenticeship for an agreed period to reach agreed goals. The professions recognise that learning needs to be grounded in a context that makes it meaningful.

People in non-professional roles have had a hotch-potch of programmes imposed on them by training providers. These programmes, particularly in construction, engineering and the service sector, rarely have a direct link to specific occupations and contain only bits of skill.

This approach to vocational training has failed to meet current and future demands for a skilled workforce. There is a need to develop a new apprenticeship system in the UK to provide the skill mix required for changing technology - for example, the introduction of computer numerically controlled machine tools. Greater flexibility is required in combining the types of skill taught, such as the practice adopted recently by a consortium of companies and Wearside College in the north-east for the training and education of electro/mechanical technicians. There is also a need for flexibility in the allocation of time, currently between one and three years depending upon the occupation.

In addition to time allocation, time of life should be considered.

There is no reason why someone should not complete more than one apprenticeship in a working life as part of on-going learning.

While many significant changes are needed, there is a strong case for keeping the concept of apprenticeship intact. This has been done in Germany where almost 2m apprenticeship places are filled, the highest take-up in Europe. This is part of a dual system: in-company training places are supported by technical education in vocational schools (*Berufsschule*). Training continues to be strongly work-related, and adaptation to the needs of developing technology takes place within the framework of this system.

By contrast, training in the UK is a mess. It lacks structure, coherence and purpose. The quantity and quality of training is low. With few exceptions, this is true in absolute terms, as well as in comparison with overseas competitors.

Government expenditure on training is considerable, as ministers point out repeatedly. But it is being dissipated among a wide range of administrative bodies responsible for the training and its measurement. These bodies include the Department of Employment, the Department of Trade and Industry and the Training and Enterprise Councils.

The resources are being misdirected. A strategy for apprenticeship renewal must involve fewer agencies and government departments. The funding for regenerating apprenticeships should continue to flow through the TECs, but be more narrowly focused. Employers and unions can provide the necessary instruction while ensuring that training is work-related.

The author is an independent consultant on training.

HEATHROW-LISBON and FARO MANCHESTER-LISBON

Free tickets to Portugal



TAP Navigator Superdeal. The business bargain to Portugal.

- Take a partner before 30 June '92 on TAP's Navigator (Business Class) to Lisbon or Faro, and that partner goes FREE.
- Fly Navigator to Lisbon and Faro by yourself before 30 June '92, and get an Economy Class ticket to mainland Portugal valid to 31 December '92 FREE. (From Manchester this offer applies only to Lisbon).
- Take a partner Navigator Class to Porto or Funchal, and that person goes HALF-PRICE.
- All offers apply to return tickets on TAP services only. For bookings and the details of all the great TAP Superdeals contact your travel agent, or TAP direct on 071-838 0262, fax 071-828 1742.

TAP AIR PORTUGAL

THE SCHEDULED AIRLINE WITH UNSCHEDULED BONUSES

هكذا صحت القول

Edward Mortimer

## Reaper of a whirlwind

Environmentalism does not come naturally to the new man in charge of Brazil's ecology



## FOREIGN AFFAIRS

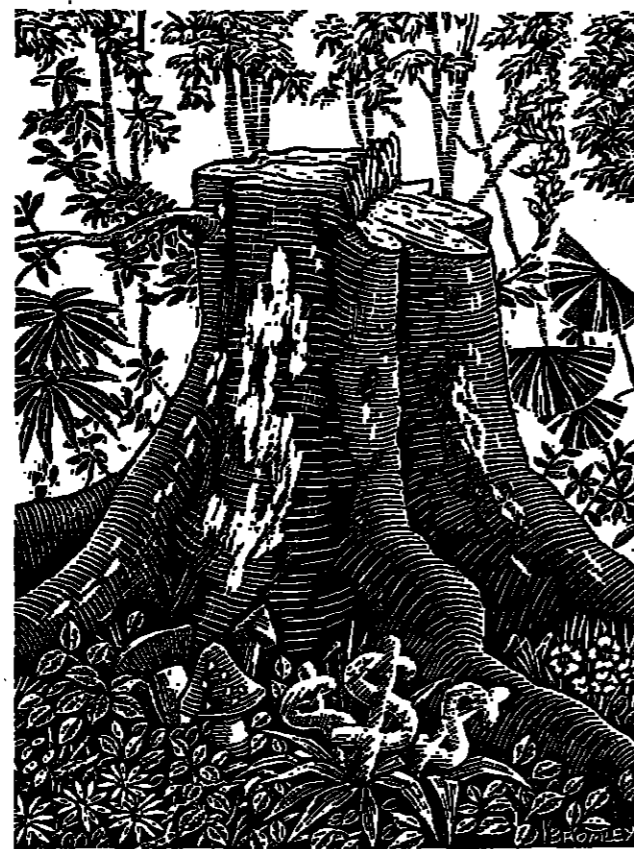
Mr Jose Goldemberg is on the defensive. Two months ago, his colleague Mr Jose Lutzenberger, one of the world's defenders of the Amazon rain forest, was sacked as Brazilian environment minister by President Fernando Collor de Mello for publicly accusing the federal agency responsible for protecting the forest – supposedly under Mr Lutzenberger's own ministerial control – of corruption and misuse of foreign funds. With barely 10 weeks to go before the Rio Earth Summit, Mr Goldemberg stepped in, taking over the portfolio, while retaining his education portfolio. He thus has responsibility for Brazil's two most urgent problems, after the struggle to contain inflation – and the latter means he has very little money to spend on either.

He also has to defend the environmental policies of a country whose already low credibility in that department has been further lowered by Mr Lutzenberger's departure, at a time when, by hosting the Earth Summit, it has invited the scrutiny of environmentalists the world over.

He is at least able to say that the rate of deforestation of the Amazon has fallen by half since the government took office, which, he claims, means a 1 per cent cut in worldwide carbon dioxide emissions. This has been achieved partly by the removal of tax incentives, which previously encouraged "development" of the area, and partly by more vigorous policing – though it may also reflect a drop in demand for both timber and cattle due to the country's recession.

But environmentalism does not come naturally to Mr Goldemberg. A nuclear physicist by training, he exudes the self-confidence and certainty of the great 19th-century educational reformers, rather than the diffidence and guilt that are more fashionable among late 20th-century scientists. "I'm not an environmentalist," he says frankly. "I'm a scientist who happens to know what causes environmental destruction." He then pulls out a hefty tome, *Energy for a Sustainable World*, of which he is co-author, to prove that he is, in his own words, "not a completely worthless person".

Certainly, his attitude is more sophisticated than that of many Brazilians who ask, "how can people in Europe make so much fuss about trees when three-year-old children here are begging in the street?" (A question usually asked by members of the top 20 per cent of Brazil's population, who receive 26 times the income of the bottom 20 per cent.) But to conclude from that that the rainforest is safe in his hands



is a leap many environmentalists will be unwilling to make. In Mr Goldemberg's view, scouring the forest for medicinal substances, on the off chance that "eventually in one of these plants you might find a cure for cancer", is "not what science is about". On the contrary, "to discover things requires a great deal of expenditure and equipment: just because a tree belongs to a people doesn't give them a right to exploit it." He thus brushes aside the grievance of the Jaburandi people, who claim to have discovered the only effective cure for glaucoma, only to see a big international pharmaceutical company buy the entire crop of the plant and patent the formula.

The Jaburandi are paid only per tonne of leaves harvested, although they say it was their knowledge that led to the discovery in the first place. Other Amazonian peoples are now said to be keeping their medical knowledge (for instance, of the contraceptive properties of various plants) a closely guarded secret, until their right to share in the proceeds can be guaranteed.

Brazil has already, in its 1988 constitution, recognised the Indians' rights to the lands they occupy, and the govern-

## The Brazilian minister says he is 'too reactionary' to take alternative medicine seriously

ment is carrying out the demarcation of those lands. Indigenous peoples are thus already recognised as legal entities enjoying collective rights. It seems only a small step from there for them to take out patents and sign contracts. One problem that can be anticipated is that more than one of them would claim "ownership" of the same traditional remedy. Ideally, perhaps, they should be persuaded to set up a common forest protection fund, into which all royalties on traditional forest products could be paid. But there might well be difficulty in agreeing who should administer such a fund and how it could be spent.

Efforts to forge a nationwide representative body for the indigenous peoples have so far been abortive. Their most eloquent spokesman is Mr Ailton Krenak who is most often to be found squatting by a log fire in the "Forest People's Embassy" in São Paulo. But according to Mr Fabio Vilas, secretary of the Brazilian Bishops' Conference's *Conselho Indigenista Missionário* (CIMI), Mr Krenak is simply "one person who decided he represented the indigenous peoples: his movement has no elections, no general meetings, no groups affili-

ated to it". Mr Krenak's supporters accuse CIMI of seeking to group the indigenous peoples "under the skirts of the padres", instead of enabling them "to participate in Brazilian society while maintaining our own customs".

The problem of organising the indigenous peoples is real, but Mr Goldemberg shows no interest in solving it. Stressing his "enormous respect for scientific knowledge" (and for the research costs involved in converting a traditional herbal remedy into a saleable pharmaceutical drug), he admits that he is "too reactionary" to take alternative medicine seriously; and even where forest products do turn out to have commercial value he doubts the realism of trying to preserve the benefit for forest people.

"The world is a very nasty world," he declares, citing the 19th-century rubber boom which went bust when British adventurers "stole" samples of rubber trees and took them to Malaya, where they were soon able to produce rubber much more cheaply than the Brazilian rubber-tappers could. He claims that schemes to preserve or revive the forest economy always require an unrealistic degree of state subsidy, and that the destiny of most forest dwellers at the end of the 20th century must be to join the great mass movement of urbanisation.

In practice, for most forest people, that could only mean a squalid and marginal existence in the *favelas* (shantytowns) of the great Brazilian cities. Statistically their life in the forest may be poorer, but there can be little doubt that it is happier and more complete.

Does the law of history and the market forbid them to improve their living standards by any other route? Perhaps mass urbanisation is indeed their unavoidable fate, but there was a time when slavery was regarded as similarly inevitable. History is not static: it is above all a record of changing human attitudes and behaviour. We have learnt to set a value on bio-diversity (the multiplicity of species) and on cultural diversity within the human race. In the Amazon rainforest, both are at stake, and preserving one can help to preserve the other.

One way to go about it, and perhaps the most effective in a market economy, is to set a price on forest products reflecting the value of the environment and culture which lie behind them. Perhaps European and North American consumers could be persuaded to pay extra for a "rain forest condom" made from Amazon rubber? Another would be to recognise the inhabitants of the forest as its custodians, and pay them a direct salary for performing that role. Brazil, and the world, can surely improve on Mr Goldemberg's Darwinian fatalism.

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

## UK must counter ageism in Europe

From Mr Hugh McMahon and Sir Jack Stewart-Clark

Sir, The Department of Employment's commitment to tackling age discrimination as a priority of the EC presidency of the EC ("Over 35 is over the hill for Brussels job-seekers", May 15) will deservedly highlight this issue at European level.

UK members of the European parliament have for some time been pressing for action to lift upper age limits on recruitment to EC institutions both via the parliament's Inter-group on Ageing and through parliamentary questions. The European Parliament has called several times for action to stop age discrimination in the Community.

The European Court of Justice recently took a small step in the right direction, by raising its upper age for recruitment to executive posts from 35 to 40. But the European Parliament, as well as the Commission, continues to set upper limits of 33.

The UK government should, as a priority, persuade the EC institutions to lift their upper age limits during 1992, and set an example to employers.

Hugh McMahon, Jack Stewart-Clark, UK co-presidents of the European Parliament's Inter-group on Ageing

## Now time for OfTel to take on BT

From Mr Peter Knowles

Sir, For once a regulatory body appears to have teeth, witness the reluctant agreement by British Gas to provide a miserly price reduction just meeting the minimum necessary to avoid legal action.

Would it be too much to ask that OfTel whips up sufficient enthusiasm and courage to take on the mighty British Telecom and its cosy duopoly? After all, the profits earned

(sic) last year must qualify BT as one of the most profitable companies in the world. Consider the population in the UK, compared with the US, and then ask why BT makes more profit than AT&T and all the regional Baby Bells in total.

Should OfTel need help in the courage department please ask them to call. Peter Knowles, CIC Investments, 17-18 Picton Place, London W1

## Clarifying advisers' position

From Jack Beaton

Sir, The statement that regulators and firms believe that the present uncertainty about the impact of the Financial Services Act on the common law fiduciary duties of advisers and brokers is preferable to the introduction of new legislation ("Results of City rules review welcomed", May 13) does not represent the complete picture.

The responses to a questionnaire circulated by the Law Commission in November 1990 to firms, individuals, regulatory bodies and organisations representing the different interests involved (business, professional and consumer interests) revealed that while many respondents were of the

view set out in your article, many others, including City solicitors, regulatory bodies and several merchant banks, believe that the present uncertainty is unacceptable.

For example, provision is made in regulatory rules for "Chinese walls" but, although in some instances courts have taken account of regulatory rules in determining whether common law and fiduciary duties have been complied with, on those occasions in which courts have considered the efficacy of "Chinese walls" (most recently last year) they have not been seen as providing satisfactory protection for clients.

The Law Commission provisionally believes that a short piece of legislation is necessary to clarify the legal position by providing that account should be taken of reasonable regulatory rules when determining the content of fiduciary duties. This would not represent a further upheaval for firms and their customers. It would rather facilitate the efficient functioning of the market by introducing reasonable certainty as to the duties of advisers, brokers and other practitioners.

However the Law Commission wants to obtain as many views as possible on the various options for reform set out in its consultation paper before finalising its recommendations. Jack Beaton, Law Commission, Conquest House, 37/38 John Street, Theobalds Road, London WC1N 2BO

## The costs of Concorde that should not be ignored

From Sir Robin Maxwell-Hyslop

Sir, Paul Taylor blandly states "Concorde: a hard act to follow", business air travel survey, May 11 that 10 years after its introduction on to the North Atlantic service "British Airways was able to report that the aircraft was making a healthy profit". Yet nowhere does he report that the aircraft were a free gift from the taxpayer to British Airways for which the latter declined to pay a penny of purchase price. Nor did that exhaust the public

subsidy of this operation: as the select committee on industry and trade recorded in its report on the Concorde in April 1981, there was continuing project support from public funds, which the Department of Trade and Industry then expected to amount to about £133m between 1980-1985. Against this the provision for BA to repay part of its operating surplus to the government permitted even this to be offset by earlier operating losses, and certain "post-review capital expenditure".

Unless it is seriously suggested that the taxpayer should again pay huge sums of public money to subsidise supersonic flight in a new generation of aircraft, nobody should be misled into making false judgments about commercial viability based on Concorde experience.

Another omission from the article is the cost to other airlines of Concorde being given priority passage through a "stack" in which less privileged aircraft are forced to keep their passengers waiting

to land because Concorde has such alarming fuel flows at low speed and altitude.

The prospect of greatly extending the nuisance, and very possibly structural damage, caused by secondary shock waves from Concorde also needs to be faced before any investment in further supersonic aircraft development takes place. Robin Maxwell-Hyslop, The White House, 4 Tiverton Road, Silverton, Exeter EX5 4JQ

## OBSERVER

## Perks for EC pensioners

■ The removal of Germany's capital from Bonn to Berlin is causing awful soul-searching in the political establishment, not to mention among the good property owners along the banks of the Rhine. So it's nice to hear of some people who stand to do rather well out of it – for doing nothing.

The European Commission, bless its boots, has decided that it must recalculate the "central co-efficient" according to which its employees in Germany get their salaries calculated, and ex-Commission pensioners their pensions. Instead of using Bonn's cost of living for the central figure, it will now use Berlin.

Of course, Berlin is a rather more expensive place to live in than Bonn. If Brussels is rated at 100, Berlin stands on 104, and Bonn on a modest 96. Any suggestion that every EC official in Germany is suddenly going to get a fat pay rise is roundly denied. Berlin, Bonn and the research centre in Karlsruhe all have their own specific co-efficients, to which salaries in each place are tailored accordingly. However, that leaves all the EC pensioners in Germany, whose salaries are tied to the "central" co-efficient.

So for them, a nice little windfall of almost 10 per cent, assuming the Council of Ministers approves the juggling.

## Power points

■ There is much in the newly-published Questions of Procedure for Ministers to cause pain to those with their feet on the first rungs of the ministerial ladder. The publication of the fact that permanent secretaries

have authority to ignore their junior ministers does little for the self-esteem of Westminster's rising stars. But the section that has caused real anguish in the Commons tea-room is the instruction to ministers to restrict their foreign travel. It then adds insult to serious injury by telling them if they must go abroad on official business they should do so at weekends – and keep a fully-itemised account of their expenses.

## Bush telegraph

■ George Bush is not exactly on a winning streak at the moment. But if he continues to get things wrong he might serve as a useful negative index for economic pundits. On Monday he gave a speech to America's house-builders and praised them for leading the economy out of recession. Yesterday morning it was announced new home sales had dropped alarmingly in April. His next speaking engagement, later yesterday, was to the association of retailers. It would be advisable, therefore, to watch the next retail sales report on June 11.

## Frost frozen

■ Whatever one thinks about the relative merits of British and US TV, when it comes to serious current affairs programmes on Sunday morning, the US wins hands down. Whether it's CBS's *Face the Nation*, NBC's *Meet the Press*, or ABC's *This Week* with David Brinkley, most of the political issues of the week generally get a good airing before Sunday lunchtime. In Britain, the early Sunday morning current affairs field has been left very much to David Frost, television interviewer of the rich and



"If you play the game, make the rules"

powerful. However, his eight-year-old Frost on Sunday programme ends in December. GMTV, which has won the breakfast TV franchise, doesn't think that his 1.4m audience is big enough.

Instead, Liz Howell, the GMTV director of programmes who has pulled the plug on Frost, says she wants "a leisure show about the family". Frost is not the only casualty. Business news is going to be scaled back drastically, and entertainer Jeremy Beadle will be running a quiz. As for Frost, his best chance of staging a comeback lies with TV-am's planned bid for the Channel 5 franchise. But that is unlikely to be on the air before the end of 1994.

## Own goal

■ What on earth is happening to Professor Sir Roland Smith? Ever since he lost his job as chairman of British Aerospace last autumn, he has been shedding his outside directorships. But he is now said to be contemplating stepping down as chairman of his beloved Manchester United.

The Prof, who not so long ago was the head of one of the public companies than anyone, told an American Chamber of Commerce lunch yesterday that he is "unlikely to remain chairman of Manchester United". However, before he can quit the United directors' bench he has to get the nod of approval from the court of directors of the Bank of England on which he sits. He says that it's the first time such a "mundane point" has ever been considered by the court. Perhaps it is. But Sir Roland would have gone up in Observer's estimation considerably if he had announced that he was handing in his notice to the Bank of England and devoting more time to United. He would have to attend far fewer board meetings, Old Trafford is much closer to his home, and his financial affairs would benefit from his continued attention.

## Yesterday's men

■ Such has been the decline of Britain's trade union movement that it is no surprise that the majority of trade union leaders are not recognised by the average punter. But affairs have come to a pretty low ebb when the front page picture in the workers' *Morning Star* newspaper labels John Edmonds, general secretary of the 900,000 strong GMB, Britain's second biggest union, as Alan Tiffin, general secretary of the 200,000-strong Union of Communication Workers.

## Second thoughts

■ Husband to wife: "What would you like for your birthday?" Wife: "How about a divorce?" Husband: "I wasn't thinking of spending that much."

## Telford. A better way to live and work.

Here in the heart of the beautiful rural English countryside of Shropshire we have grown the high tech city of the next century. An advanced network of roads provides trouble free movement within Telford, whilst our M54 motorway gives uncongested access to the UK motorway network, enhanced by inter city rail communications. Our spacious business parks bristle with modern and attractive office and retail developments and our industrial parks and fully serviced campus sites provide unrivalled opportunities for investment and expansion. Space that is much appreciated by the thousands of UK and international companies that have already chosen Telford. Unlike most of Western Europe we have a young expanding workforce ready to take over the reins in the future. A well trained work force too, thanks to the wide range of vocational training on offer at Further and Higher Education level. What sets Telford apart though is this remarkable balance of a state of the art business and living environment with truly timeless rural surroundings in which to live and play. We're geared for the future, we're geared for a better lifestyle.

**Telford.**  
Join in our Success.

Call David Rogerson and his team at Telford Development Agency on 0952 293263 or fax on 0952 293270.

## UK shifts focus to stable prices

By Peter Norman and Emma Tucker in London

THE BRITISH government and the Bank of England yesterday refocused their economic strategy on the need to combat inflation amid signs that the country's longest recession since the 1940s is coming to an end.

Mr Norman Lamont, chancellor of the exchequer, told the annual dinner of the Confederation of British Industry that Britain should aim to match Japan's inflation performance, which is "very close to price stability".

His theme was echoed in the latest Bank of England quarterly bulletin, which yesterday warned that there was "no room for com-

placency" about the UK's inflation performance. The Bank urged the government to take "firm control of public expenditure" as part of a strategy for price stability.

The warnings came as the government disclosed that manufacturing output grew by 0.3 per cent in the first quarter of 1992, compared with the previous quarter. The increase came after six quarters of falling output. However, overall industrial production, consisting of manufacturing and energy output, fell by 1 per cent in the latest quarter.

The decline in overall industrial production suggests first quarter non-oil gross domestic

product figures to be published on Friday will show a fall for the seventh successive quarter.

Mr Lamont said sterling's entry into the exchange rate mechanism of the European Monetary System required a "sea change in attitudes to inflation". Devaluation was no longer an option, so excessive price increases would "translate directly into a loss of competitiveness and hence of market share, profits and jobs".

Mr Lamont said the government was firmly committed to meeting the strict convergence criteria of the Maastricht treaty on economic and monetary union. That would mean firm budget discipline, membership of the narrow bands of the ERM and bringing UK inflation and inter-

est rates "in line with the best in Europe".

But he appeared to damp down expectations that UK interest rates might fall below those in Germany. "Those who argue that we could have had lower interest rates outside the ERM seem conveniently to forget that only for four months in the 1980s did the UK have lower interest rates than Germany," he said. "I would caution people against underestimating the resilience of the German economy. Reports of Germany's industrial demise are greatly exaggerated," he added.

But the Bank of England is giving thought to the theoretical possibility of UK rates falling below German levels.

Details, Page 8

## US housing starts fall by 17% in April

By Michael Prowse in Washington

THE BIGGEST monthly drop in US housing starts for more than eight years prompted renewed speculation yesterday that the Federal Reserve might soon signal another cut in interest rates.

Housing starts fell by 17 per cent in April, a far bigger decline than most analysts had expected.

The figures were released by the Commerce Department as governors and regional presidents of the Federal Reserve, the central bank, met in Washington to review monetary policy.

On Wall Street the benchmark

long bond closed more than half a point up on the news, signalling traders' hopes of an interest rate cut.

The drop in starts was broadly based, affecting all regions of the country and all categories of residential property.

Following other warning signals, including a decline in new home sales, the drop seems to indicate a loss of momentum in residential housing, one of the few sectors of the economy to rebound strongly from recession.

The consensus view is that the economy is growing sluggishly, at an annual rate of 2-3 per cent. However, the setback in housing

is likely to fuel apprehension about the pace and sustainability of recovery. Car sales - another critical barometer - remain subdued, while claims for unemployment insurance are well above levels normal in a recovery.

Wall Street analysts have been predicting an easing of monetary policy for several weeks. If the Fed decides to act, the likeliest move is a ¼-point cut in the federal funds rate to 3.5 per cent, the floor set by the current level of the discount rate, at which the Fed lends to banks. This would trigger a ¼-point cut in banks' prime lending rates to 8 per cent.

The Fed is under political pres-

sure to ease monetary policy because monetary growth is barely above the lower limit of its 2.5-5.5 per cent target range. However, it may decide that lower rates would only increase fears of higher inflation, putting upward pressure on bond yields and mortgage rates.

Housing starts in April were running at an annual rate of 1.1m, the lowest level since November. However, they were 14 per cent higher than last April, reflecting the strong housing recovery last year.

Treasuries advance, Page 22  
Dollar drops, Page 26



Motorcyclists and demonstrators face Thai navy troops blocking the road to Bangkok at a bridge over the Chao Phraya river

## Thai protesters defy military crackdown

Continued from Page 1

the time of anti-government student demonstrations in 1973.

The academics also suggested that Gen Prem Tinsulanonda, prime minister from 1980 to 1988, should return to the post, and that constitutional amendments to reduce the power of the mili-

tary should be passed within three weeks, but that parliament should not be dissolved.

Many shops, offices and banks reopened in the capital but hurriedly closed again at midday as rumours of looting and violence swept through the city. One hotel boarded up its windows.

"There's quite a lot of panic in

commercial circles," said one foreign banker. "There's going to be very little commerce tomorrow."

Some bank branches ran out of cash and queues grew at automatic telling machines and petrol stations. By evening, normally a time of acute traffic congestion, Bangkok's streets were almost deserted. Soldiers, harried by

small groups of youths in the city centre, set up roadblocks and searched motorcyclists, who have been at the forefront of some of the rioting.

On the stock market the SET index fell by nearly 9 per cent to close at 667.84, down 65.05, its largest daily fall. Some flights into Bangkok were cancelled.

## Spain ties EC enlargement to speedy help for poorer states

By David Marsh and Peter Bruce in Madrid

SPAIN will withhold co-operation on enlarging the European Community unless there is speedy agreement to operate a new EC mechanism for channelling resources to poorer countries.

Mr Carlos Westendorp, minister for European affairs, told the Financial Times yesterday that Spain wanted the Community's new "cohesion fund" agreed at Maastricht five months ago, to come into effect at the start of next year.

He also served notice that Britain's £2bn (\$3.7bn) a year rebate from the Community, agreed in 1984 to compensate for undue financial burdens caused by the Common Agricultural Policy, will probably have to be renegotiated.

Germany has already cast a

cloud over Britain's presidency of the Community in the second half of this year by suggesting that the rebate will have to be cut to help improve EC finances.

The cohesion fund will represent an important source of funding for Spain's overall efforts to improve its economic structure in preparation for economic and monetary union later in the decade.

The fund, as proposed by Mr Jacques Delors, European Commission president, would channel ECU2bn (\$2.6bn) a year to Spain, Portugal, Greece and Ireland by the end of 1997.

Spain is insisting that the EC settle the financial details of the Maastricht process before negotiations on widening the Community can begin. This means the 12 members will have to clinch an accord on the cohesion fund at the Edinburgh summit in early

December. Germany and Britain have expressed scepticism whether the fund needs to be operating before the end of 1993.

Mr Westendorp warned that, unless agreement was reached, Spain would be "less co-operative in other operations" - above all, concerning the plans for Sweden, Austria and Finland to start EC entry negotiations next year. "We cannot start thinking of widening the Community until we have finalised Maastricht."

Mr Delors' proposals, put forward in February, for increasing the EC budget by ECU1bn up to 1997 have drawn sharp criticism from Britain, Germany and some other partners. Roughly half the extra funds would go to the four poorer EC members, but through the cohesion fund and through an enlargement of the existing structural fund for economic development.

## Serb trial for Croats

Continued from Page 1

The official media spew a steady stream of racist propaganda about non-Serbs.

A western diplomat said: "We are not questioning the right of Serbia to try war criminals if it is based on real evidence. But there is also a legal and moral responsibility to try criminals from their own side."

Mrs Danilovic says the trial may mark the beginning of a wave of show trials. She says the defendants are being tried for heinous war crimes, although Yugoslavia was never officially at war with Croatia.

But if a wave of trials begins in Serbia, it is likely to be matched in Croatia, where resentment of the perceived seizure of its territory by Serbia, runs high. Serbs living in Zagreb, the capital of Croatia, have expressed fears that the government will use them as scapegoats.

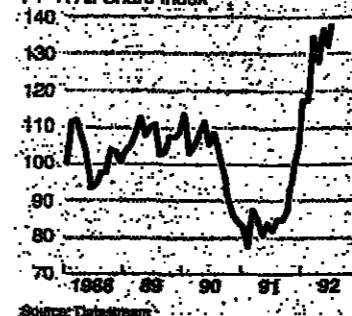
## THE LEX COLUMN

### BA flies high

FT-SE Index: 2700.6 (-3.0)

#### British Airways

Share price relative to the FT-A All-Share Index



which in turn masks a £71m exceptional provision for reorganisation. Cynics might say that unwinding the provision will reduce the quality of earnings in future years. Such a view took the upper hand in the market yesterday, as the shares were marked down by just over 1 per cent.

All the same, the underlying picture is not bad for a recession year. Trading profit, struck before the exceptional items and property disposals, was up by nearly 4 per cent. Hiram Walker is producing impressive growth in Spain and Japan, while the continuing food businesses were up by a healthy 11 per cent. As the new management tightens its grip there should be less reason for Allied-Lyons to trade at a discount to the likes of Guinness and Grand Metropolitan. Its growth could even be faster because it has some catching up to do.

First, however, it must settle its differences with the competition authorities. Though Allied-Lyons claims to have reached an accommodation with the Office of Fair Trading on its publicising deal with Brent Walker, it is cagey about the details and about how much it will have to water down the accompanying supply agreement. More important to the market is the fate of its joint venture with Carlsberg. Though probably over-rated in terms of its long-term significance, this will hang over the price until the government reaches its decision later in the summer.

#### TI/Dowty

Dowty has so little ammunition with which to defend itself against TI that a sparkling profits estimate for the

financial year which ended in March was almost inevitable. The company appears to have reaped an early harvest from its reorganisation efforts and to have benefited from a spurt in demand during the final quarter. The trouble is that there is not much fuel on the bones. It is difficult to see where its estimate leaves the outlook for the current year, especially since there is not much sign of recovery elsewhere in the sector.

Admittedly, there is some justification to Dowty's arguments about the lack of TI's industrial fit. But TI looks likely to be a more determined seller of the electronics and information technology business, and it has an underwritten offer of 175p on the table. Small wonder the market behaves as if it expects TI to win.

#### Yorkshire Water

The joint venture between Yorkshire Water and Babcock looks a neat solution to two long-term problems for the UK water industry. Other companies, notably Thames and North West, have already seen the logic of developing their engineering skills into separate operations. Their wholly-owned ventures and Yorkshire's more elegant example mark a logical progression in the water sector's diversification away from business regulated by Ofwat. In contrast to earlier deals in which water companies were involved into the mysteries of waste management, Yorkshire is investing in an area where its experience is not in question.

The venture has an additional attraction. Water companies' huge investment programmes are spread between treatment plants and underground pipes. At present, more money is being spent on plants; by the middle of the decade, the companies will generally be investing more in pipes. The question is what to do with the hundreds of plant process engineers who will no longer be needed.

Yorkshire's answer has been to bring in a specialist engineering partner at once. The joint venture is unlikely to make much money for a year or two. But by the time Yorkshire would otherwise be expensively laying off staff, they should instead be making profits selling services and project skills in the UK and abroad. As for Babcock, the deal represents a timely return to a business which FKI sold off to Biwater four years ago. Doubtless other engineering groups will try to follow suit.

## MORGAN GRENFELL UK 'TRACKER' TRUST



### He's more successful than the average fund manager.

Morgan Grenfell's UK 'Tracker', which tracks the FT-A All-Share Index, has outperformed almost 90% of all 312 UK Growth, General and Income unit trusts since its launch.\* 'Tracker' offers:

- Lump sum investment from £1,000 or monthly savings from £25 per month.
- The opportunity to invest up to £6,000 tax-free.

Which all goes to prove if you stick with your existing fund, you could be barking up the wrong tree.

For more information:

**Callfree**

**0800 282465 today.**



\*Source: Micropal, offer to offer, net income reinvested 1.11.88 to 4.5.92. You should remember that the price of units and the income from them can go down as well as up. Past performance is not necessarily a guide to future performance. Tax levels and reliefs are those applicable at time of print and may change.

Issued by Morgan Grenfell Investment Funds Limited, an appointed representative of Morgan Grenfell Unit Trust Managers Limited. Member of IMRO. 'Tracker' is a registered trademark of Morgan Grenfell Group.

World Weather		°C		°F		°C		°F		°C		°F			
Amsterdam	S	10	50	Amsterdam	S	10	50	Amsterdam	S	10	50	Amsterdam	S	10	50
Bangkok	F	30	86	Bangkok	F	30	86	Bangkok	F	30	86	Bangkok	F	30	86
Bombay	S	25	77	Bombay	S	25	77	Bombay	S	25	77	Bombay	S	25	77
Buenos Aires	S	15	59	Buenos Aires	S	15	59	Buenos Aires	S	15	59	Buenos Aires	S	15	59
Calcutta	S	28	82	Calcutta	S	28	82	Calcutta	S	28	82	Calcutta	S	28	82
Colon	F	28	82	Colon	F	28	82	Colon	F	28	82	Colon	F	28	82
Hong Kong	F	24	75	Hong Kong	F	24	75	Hong Kong	F	24	75	Hong Kong	F	24	75
London	S	10	50	London	S	10	50	London	S	10	50	London	S	10	50
Los Angeles	S	18	64	Los Angeles	S	18	64	Los Angeles	S	18	64	Los Angeles	S	18	64
Madrid	S	15	59	Madrid	S	15	59	Madrid	S	15	59	Madrid	S	15	59
Moscow	S	10	50	Moscow	S	10	50	Moscow	S	10	50	Moscow	S	10	50
New York	S	15	59	New York	S	15	59	New York	S	15	59	New York	S	15	59
Paris	S	12	54	Paris	S	12	54	Paris	S	12	54	Paris	S	12	54
Shanghai	F	18	64	Shanghai	F	18	64	Shanghai	F	18	64	Shanghai	F	18	64
Singapore	F	28	82	Singapore	F	28	82	Singapore	F	28	82	Singapore	F	28	82
Tokyo	S	15	59	Tokyo	S	15	59	Tokyo	S	15	59	Tokyo	S	15	59
Washington	S	12	54	Washington	S	12	54	Washington	S	12	54	Washington	S	12	54
Zurich	S	10	50	Zurich	S	10	50	Zurich	S	10	50	Zurich	S	10	50

Ascocio	T	18	64	Ascocio	T	18	64	Ascocio	T	18	64	Ascocio	T	18	64
Algiers	S	27	81	Algiers	S	27	81	Algiers	S	27	81	Algiers	S	27	81
Amsterdam	S	10	50	Amsterdam	S	10	50	Amsterdam	S	10	50	Amsterdam	S	10	50
Bahrein	S	32	72	Bahrein	S	32	72	Bahrein	S	32	72	Bahrein	S	32	72
Bangkok	F	30	86	Bangkok	F	30	86	Bangkok	F	30	86	Bangkok	F	30	86
Bombay	S	25	77	Bombay	S	25	77	Bombay	S	25	77	Bombay	S	25	77
Buenos Aires	S	15	59	Buenos Aires	S	15	59	Buenos Aires	S	15	59	Buenos Aires	S	15	59
Calcutta	S	28	82	Calcutta	S	28	82	Calcutta	S	28	82	Calcutta	S	28	82
Colon	F	28	82	Colon	F	28	82	Colon	F	28	82	Colon	F	28	82
Hong Kong	F	24	75	Hong Kong	F	24	75	Hong Kong	F	24	75	Hong Kong	F	24	75
London	S	10	50	London	S	10	50	London	S	10	50	London	S	10	50
Los Angeles	S	18	64	Los Angeles	S	18	64	Los Angeles	S	18	64	Los Angeles	S	18	64
Madrid	S	15	59	Madrid	S	15	59	Madrid	S	15	59	Madrid	S	15	59
Moscow	S	10	50	Moscow	S	10	50	Moscow	S	10	50	Moscow	S	10	50
New York	S	15	59	New York	S	15	59	New York	S	15	59	New York	S	15	59
Paris	S	12	54	Paris	S	12	54	Paris	S	12	54	Paris	S	12	54
Shanghai	F	18	64	Shanghai	F	18	64	Shanghai	F	18	64	Shanghai	F	18	64
Singapore	F	28	82	Singapore	F	28	82	Singapore	F	28	82	Singapore	F	28	82
Tokyo	S	15	59	Tokyo	S	15	59	Tokyo	S	15	59	Tokyo	S	15	59
Washington	S	12	54	Washington	S	12	54	Washington	S	12	54	Washington	S	12	54
Zurich	S	10	50	Zurich	S	10	50	Zurich	S	10	50	Zurich	S	10	50

Ascocio	T	18	64	Ascocio	T	18	64	Ascocio	T	18	64	Ascocio	T	18	64
Algiers	S	27	81	Algiers	S	27	81	Algiers	S	27	81	Algiers	S	27	81
Amsterdam	S	10	50	Amsterdam	S	10	50	Amsterdam	S	10	50	Amsterdam	S	10	50
Bahrein	S	32	72	Bahrein	S	32	72	Bahrein	S	32	72	Bahrein	S	32	72
Bangkok	F	30	86	Bangkok	F	30	86	Bangkok	F	30	86	Bangkok	F	30	86
Bombay	S	25	77	Bombay	S	25	77	Bombay	S	25	77	Bombay	S	25	77
Buenos Aires	S	15	59	Buenos Aires	S	15	59	Buenos Aires	S	15	59	Buenos Aires	S	15	59
Calcutta	S	28	82	Calcutta	S	28	82	Calcutta	S	28	82	Calcutta	S	28	82
Colon	F	28	82	Colon	F	28	82	Colon	F	28	82	Colon	F	28	82
Hong Kong	F	24	75	Hong Kong	F	24	75	Hong Kong	F	24	75	Hong Kong	F	24	75
London	S	10	50	London	S	10	50	London	S	10	50	London	S	10	50
Los Angeles	S	18	64	Los Angeles	S	18	64	Los Angeles	S	18	64	Los Angeles	S	18	64
Madrid	S	15	59	Madrid	S	15	59	Madrid	S	15	59	Madrid	S	15	59
Moscow	S	10	50	Moscow	S	10	50	Moscow	S	10	50	Moscow	S	10	50
New York	S	15	59	New York	S	15	59	New York	S	15	59	New York	S	15	59
Paris	S	12	54	Paris	S	12	54	Paris	S	12	54	Paris	S	12	54
Shanghai	F	18	64	Shanghai	F	18	64	Shanghai	F	18	64	Shanghai	F	18	64
Singapore	F	28	82	Singapore	F	28	82	Singapore	F	28	82	Singapore	F	28	82
Tokyo	S	15	59	Tokyo	S	15	59	Tokyo	S	15	59	Tokyo	S	15	59
Washington	S	12	54	Washington	S	12	54	Washington	S	12	54	Washington	S	12	54
Zurich	S	10	50	Zurich	S	10	50	Zurich	S	10	50	Zurich	S	10	50

Ascocio	T	18	64	Ascocio	T	18	64	Ascocio	T	18	64	Ascocio	T	18	64
Algiers	S	27	81	Algiers	S	27	81	Algiers	S	27	81	Algiers	S	27	81
Amsterdam	S	10	50	Amsterdam	S	10	50	Amsterdam	S	10	50	Amsterdam	S	10	50
Bahrein	S	32	72	Bahrein	S	32	72	Bahrein	S	32	72	Bahrein	S	32	72
Bangkok	F	30	86	Bangkok	F	30	86	Bangkok	F	30	86	Bangkok	F	30	86
Bombay	S	25	77	Bombay	S	25	77	Bombay	S	25	77	Bombay	S	25	77
Buenos Aires	S	15	59	Buenos Aires	S	15	59	Buenos Aires	S	15	59	Buenos Aires	S	15	59
Calcutta	S	28	82	Calcutta	S	28	82	Calcutta	S	28	82	Calcutta	S	28	82
Colon	F	28	82	Colon	F	28	82	Colon	F	28	82	Colon	F	28	82
Hong Kong	F	24	75	Hong Kong	F	24	75	Hong Kong	F	24	75	Hong Kong	F	24	75
London	S	10	50	London	S	10	50	London	S	10	50	London	S	10	50
Los Angeles	S	18	64	Los Angeles	S	18	64	Los Angeles	S	18	64	Los Angeles	S	18	64
Madrid	S	15	59	Madrid	S	15	59	Madrid	S	15	59	Madrid	S	15	59
Moscow	S	10	50	Moscow	S	10	50	Moscow	S	10	50	Moscow	S	10	50
New York	S	15	59	New York	S	15	59	New York	S	15	59	New York	S	15	59
Paris	S	12	54	Paris	S	12	54	Paris	S	12	54	Paris	S	12	54
Shanghai	F	18	64	Shanghai	F	18	64	Shanghai	F	18	64	Shanghai	F	18	64
Singapore	F	28	82	Singapore	F	28	82	Singapore	F	28	82	Singapore	F	28	82
Tokyo	S	15	59	Tokyo	S	15	59	Tokyo	S	15	59	Tokyo	S	15	59
Washington	S	12	54	Washington	S	12	54	Washington	S	12	54	Washington	S	12	54
Zurich	S	10	50	Zurich	S	10	50	Zurich	S	10	50	Zurich	S	10	50

Ascocio	T	18	64	Ascocio	T	18	64	Ascocio	T	18	64	Ascocio	T	18	64
Algiers	S	27	81	Algiers	S	27	81	Algiers	S	27	81	Algiers	S	27	81
Amsterdam	S	10	50	Amsterdam	S	10	50	Amsterdam	S	10	50	Amsterdam	S	10	50
Bahrein	S	32	72	Bahrein	S	32	72	Bahrein	S	32	72	Bahrein	S	32	72
Bangkok	F	30	86	Bangkok	F	30	86	Bangkok	F	30	86	Bangkok	F	30	86
Bombay	S	25	77	Bombay	S	25	77	Bombay	S	25	77	Bombay	S	25	77
Buenos Aires	S	15	59	Buenos Aires	S	15	59	Buenos Aires	S	15	59	Buenos Aires	S	15	59
Calcutta	S	28	82	Calcutta	S	28	82	Calcutta	S	28	82	Calcutta	S	28	82
Colon	F	28	82	Colon	F	28	82	Colon	F	28	82	Colon	F	28	82
Hong Kong	F	24	75	Hong Kong	F	24	75	Hong Kong	F	24	75	Hong Kong	F	24	75
London	S	10	50	London	S	10	50	London	S	10	50	London	S	10	50
Los Angeles	S	18	64	Los Angeles	S	18	64	Los Angeles	S	18	64	Los Angeles	S	18	64
Madrid	S	15	59	Madrid	S	15	59	Madrid	S	15	59	Madrid	S	15	59
Moscow	S	10	50	Moscow	S	10	50	Moscow	S	10	50	Moscow	S	10	50
New York	S	15	59	New York	S	15	59	New York	S	15	59	New York	S	15	59
Paris	S	12	54	Paris	S	12	54	Paris	S	12	54	Paris	S	12	54
Shanghai	F	18	64	Shanghai	F	18	64	Shanghai	F	18	64	Shanghai	F	18	64
Singapore	F	28	82	Singapore	F	28	82	Singapore	F	28	82	Singapore	F	28	82
Tokyo	S	15	59	Tokyo	S	15	59	Tokyo	S	15	59	Tokyo	S	15	59
Washington	S	12	54	Washington	S	12	54	Washington	S	12	54	Washington	S	12	54
Zurich	S	10	50	Zurich	S	10	50	Zurich	S	10	50	Zurich	S	10	50

Ascocio	T	18	64	Ascocio	T	18	64	Ascocio	T	18	64	Ascocio	T	18	64
Algiers	S	27	81	Algiers	S	27	81	Algiers	S	27	81	Algiers	S	27	81
Amsterdam	S	10	50	Amsterdam	S	10	50	Amsterdam	S	10	50	Amsterdam	S	10	50
Bahrein	S	32	72	Bahrein	S	32	72	Bahrein	S	32	72	Bahrein	S	32	72
Bangkok	F	30	86	Bangkok	F	30	86	Bangkok	F	30	86	Bangkok	F	30	86
Bombay	S	25	77	Bombay	S	25	77	Bombay	S	25	77	Bombay	S	25	77
Buenos Aires	S	15	59	Buenos Aires	S	15	59	Buenos Aires	S	15	59	Buenos Aires	S	15	59
Calcutta	S	28	82	Calcutta	S	28	82	Calcutta	S	28	82	Calcutta	S	28	82
Colon	F	28	82	Colon	F	28	82	Colon	F	28	82	Colon	F	28	82
Hong Kong	F	24	75	Hong Kong	F	24	75	Hong Kong	F	24	75	Hong Kong	F	24	75
London	S	10	50	London	S	10	50	London	S	10	50	London	S	10	50
Los Angeles	S	18	64	Los Angeles	S	18	64	Los Angeles	S	18	64	Los Angeles	S	18	64
Madrid	S	15	59	Madrid	S	15	59	Madrid	S	15	59	Madrid			



## INTERNATIONAL COMPANIES AND FINANCE

# AMB wins court ruling on Assurances Générales stake

By David Waller in Frankfurt

AACHENBACHER & MÜNCHENER Beteiligungs (AMB), Germany's second largest insurance company, has won an important courtroom victory over the status of the large minority stake in the company held by Assurances Générales de France (AGF), the state-owned French insurer.

The Regional Court of Aachen decided the Vorstand – or managing board – of AMB was within its rights not to register the voting rights attached to 19 per cent of AMB out of the 25 per cent-plus owned by AGF. Under German company law, the right to accord voting rights on special

types of registered shares belongs to the incumbent management.

The French company said it disagreed with the ruling, and would continue attempts to win the shares registered. It maintains that its intentions towards AMB are friendly.

The AMB Vorstand, however, believes AGF to be making a scarcely-veiled attempt to win management control.

AGF argued before the court that AMB's tactics were frustrating its own European development strategy, namely closer alliance with Fondiaria, the leading Italian insurance group which now owns 20 per cent of AMB, and with Royal Insurance of the UK.

According to Mr Piers von Simson, a director of S.G. Warburg, the London investment bank advising the AMB Vorstand, the court's decision would put pressure on AGF to enter further talks over co-operation. Earlier attempts stalled over the question of registering the shares.

"We are now at the stage where we ought to be able to explore whether there is a genuine basis for commercial co-operation," he said yesterday.

AMB said the court had totally rejected AGF's claim that the decision to register the shares' voting rights was against the company's interest.

# Pinault sale severs link with origins in timber

By Alice Rawsthorn in Paris

FINAULT, the French company which recently won a controversial bid for the Au Printemps department store chain, is severing its links with its original timber interests by selling the business to Dapta-Mallinje, the French do-it-yourself group.

The withdrawal from timber marks the culmination of the strategy pursued by Pinault under the chairmanship of Mr François Pinault. He has transformed his family timber company – founded in Brittany in 1963 – into a large retailing group by a series of audacious acquisitions.

The series of deals, which culminated in the takeover of Au Printemps, one of the most famous names in French retailing, has left Pinault with a hefty burden of debt. The proceeds from the sale of the timber business – for an undisclosed sum – will be used to reduce group borrowings which totalled FF15.5bn (\$2.9bn) at the end of last year.

Pinault has sold a group of companies – including the Lafo furniture businesses and Sofiseb, a kitchen unit manufacturer – with combined sales of FF1.13bn. Dapta-Mallinje, which is quoted on the secondary market in Paris, suspended its shares on Monday pending the announcement of the acquisition. It sees the deal as a way of expanding its original do-it-yourself interests into new product sectors. After the disposal Pinault will be established as a leading player in the French service sector with the Conforama chain of furniture stores as well as Au Printemps. Pinault's total annual turnover is now estimated at about FF7.0bn, with distribution providing 80 per cent of that total.

Pinault recently announced that its net profits had halved from FF1.08bn in 1990 to FF0.50bn in 1991. That was attributed to a sharp fall in exceptional earnings.

# Setting the stage for realignment

Paul Betts on the future of the European regional aircraft industry

Fokker, the Dutch aircraft manufacturer, is at the centre of an effort to rationalise the European regional airliner industry. The driving force behind the move appears to be the success achieved by the European Airbus consortium in the large airliner business.

If a partnership involving Deutsche Aerospace (Dasa), Aerospatiale de France and Alenia of Italy succeeds in acquiring control of Fokker, it could set the stage for a significant realignment of the European regional aircraft business.

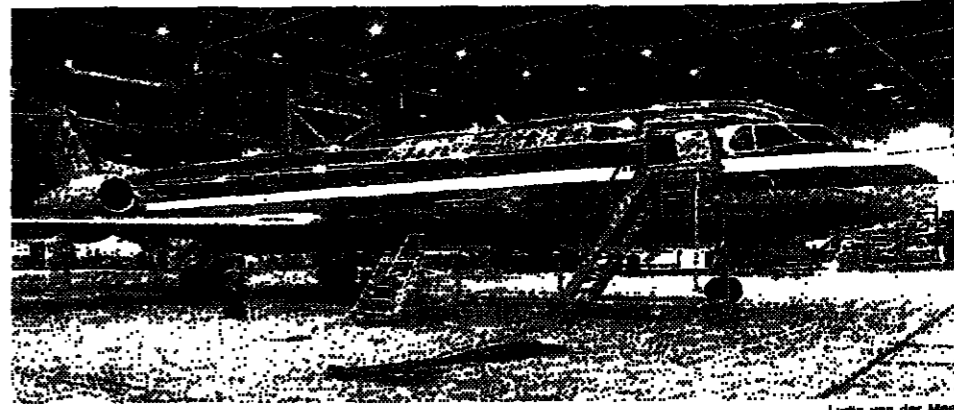
It would also put pressure on other manufacturers, including British Aerospace and SAAB of Sweden, to accelerate their efforts to find partners or join forces with the proposed alliance between Dasa, Aerospatiale, Alenia and Fokker.

In contrast with the large airliner industry – dominated by only three companies (Boeing, McDonnell Douglas and Airbus) – the regional and commuter aircraft industry includes at least nine manufacturers competing in a cut-throat market depressed by the financial problems of smaller airlines.

With too much capacity, manufacturers have increasingly sought to rationalise the market through partnerships and other links. Some consolidation has already begun.

Bombardier of Canada absorbed Short Brothers of Northern Ireland and, more recently, de Havilland of Canada, after a bid for the Canadian group by Aerospatiale and Alenia was blocked by the European Commission.

In Europe, Aerospatiale and Alenia have pooled their resources to form the ATR



Fokker 100: the Dutch group holds key to rationalisation

regional turbopropeller aircraft consortium, and they both joined forces with Dasa last year to set up the Regioliner consortium to develop a new family of regional jets.

It is this German-led partnership which is seeking to take control of Fokker. Although Fokker has recovered from its financial crisis of 1987, when the Dutch government stepped in to take a 32 per cent stake, few believe Fokker can survive without partners.

The Dutch government has also made it clear on several occasions that Fokker would need to find an industrial partner if it wanted to develop a new aircraft. It has said it has no objection in principle to foreign interests acquiring control of companies in which it had a stake.

However, the negotiations between Dasa, Fokker and the Dutch authorities are understood to be difficult. Any deal is also likely to face intense scrutiny from the European Commission on the grounds it could give the combined group

a dominant position in the market. On the other hand, France and Germany have long argued for an industrial policy in Europe to rationalise the regional airliner business.

What makes the situation even more complex is the intricate web of alliances between various European companies on certain projects while these same companies compete on other market sectors.

Dasa and Aerospatiale are both partners in Airbus, with a 37.9 per cent stake each in the European large airliner consortium. BAe is also an Airbus partner with 20 per cent but is in direct competition with both Dasa and Aerospatiale in the regional aircraft market.

Alenia is an ally of Dasa and Aerospatiale, but it does some subcontracting work for Airbus and is at the same time involved in Boeing and McDonnell Douglas programmes. Its parent company, Finmeccanica, also owns 6 per cent of Fokker.

The heavy costs of launching a new aircraft family in a weak market, coupled with Airbus's plans to develop the 125-seat A319 airliner (a shorter derivative of the 150-seat A320), appears to have prompted Dasa to turn its attention to Fokker.

Dasa, which is already co-operating with Fokker on the Fokker 100 jet, clearly saw an opportunity to lead a rationalisation by forging closer links with the Dutch group.

Fokker has been working on plans to develop a smaller 70-seat version of the Fokker 100 and eventually a larger 120 to 130-seat derivative. Both aircraft would be direct competitors to the original Dasa-led Regioliner jet family.

If the talks between Dasa and Fokker succeed, it would be likely to put greater pressure on BAe to find a partner for its loss-making regional aircraft operations. BAe has had contacts with Japanese manufacturers over a possible partnership, but it would also have to consider joining the new European grouping.

# Adidas slips to DM44m pre-tax

By David Waller

PRE-TAX profits at Adidas, the German sports shoe company, fell sharply last year, reflecting difficult conditions in the sportswear market – in particular stiff competition from Reebok and Nike – as well as the costs of continued restructuring.

The group is controlled by Mr Bernard Tapie, who last month was appointed minister of urban affairs in the French government.

Group pre-tax profits dropped from DM90m (\$56.6m)

to DM44m last year. Turnover was up just DM11m to DM3.53bn.

The company, based in the Bavarian town of Herzogenaurach, said that last year could be viewed as "a year of focusing all efforts of the Adidas brand".

Plans to sell off brands such as Pony, Arena and Le Coq Sportif had "nearly full completion" in 1991, Adidas said, and further consolidation measures would be taken.

It said that the pre-tax profit result was not satisfactory, but pointed out that excluding

extraordinary costs arising because of factory closures and other restructuring measures, net profits were DM73m last year, down from DM85m in the previous year but a considerable improvement on the loss of DM3m incurred in 1989.

The restructuring led to a streamlining of the group's balance sheet, with total assets falling from DM1.73bn at the end of 1990 to DM1.55bn a year later. This reflected the sale of trade names and the closure of subsidiaries and also a reduction in accounts receivables and inventories.

# Allied-Lyons ahead in all divisions

By Philip Rawsthorne in London

TRADING profits at Allied-Lyons, the UK drinks, food and retailing group, rose 9.6 per cent to £815m (\$1.44bn) last year, with strong performances in all its operations.

Taxable profits of £610m compared with the previous year's £476m, when Allied was hit by currency trading losses of £147m.

The group reported yesterday it had reached agreement with the Office of Fair Trading over the leasing of 734 pubs to Brent Walker, the large leisure

industries group. Arguments over the terms of the lease had threatened Allied's compliance with government orders requiring it to free 2,880 pubs from tied beer supplies.

Mr Michael Jackman, chairman, was confident about prospects for the brewing joint venture with Carlsberg, on which the UK Monopolies and Mergers Commission and the European Commission are due to report next month.

Earnings per share during the year to March 7 grew 1.2 per cent to 41 pence, from 40.5p. A final dividend of 13.35p makes a total payment of 20p

for the year, up 6.3 per cent.

During a year of extensive operational restructuring, the wines and spirits division lifted margins and raised trading profits 10.2 per cent to £410m.

Ballantine's whisky shipments were 5 per cent ahead, with strong volume gains in Spain consolidating the brand's leading position in Europe. Spanish sales of Beefeater gin reached 500,000 cases for the first time.

Food profits were 11.4 per cent higher at £147m, with the sector's international spread cushioning it against tough trading conditions in the UK.

# Astra surges on strong Losec sales

By Robert Taylor in Stockholm

ASTRA, the Swedish pharmaceutical company, boosted pre-tax profits by 40 per cent to SKr1.063bn (\$185.2m) in the first quarter of 1992 from SKr757m in the corresponding period of 1991.

The company again forecast that profits for the full year would rise between 20 and 25 per cent to over SKr4bn.

Sales for the quarter climbed 35 per cent to SKr3.7bn from SKr2.7bn, while profit per share rose by 45 per cent to SKr5.55 from SKr3.85.

Sales of Losec, the company's highly successful stomach ulcer drug and the main competitor of Glaxo's Zantac, increased by 72 per cent in the

first quarter to SKr981m from SKr577m, with the biggest markets being in Germany, France and Britain. Total sales of Losec (including those made through licence-holders in the US, Italy and Spain) reached SKr1.550bn from SKr880m.

Astra's asthma agent Pulmicort enjoyed a 57 per cent sales increase in the first quarter to SKr414m against SKr264m.

# Bull approves IBM alliance

BULL, the French computer maker, yesterday approved details of a wide-ranging deal with IBM, which will pay FF540m (\$100.9m) for 5.8 per cent of the state-controlled company, writes William Dawkins in Paris. The groups will put into effect their technology, research and commercial alliance from next month.

These securities have not been registered under the Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act of 1933. These securities have been previously sold. This announcement appears as a matter of record only.

U.S. \$100,000,000



Nacional Financiera, S.N.C.

(A National Credit Institution and Development Bank of the United Mexican States) acting through its Grand Cayman Branch

9 3/4% Bonds due 1999

Price 99.25%

Bear, Stearns International Limited

Chase Investment Bank Limited

Citicorp Investment Bank Limited

Lehman Brothers International

J.P. Morgan Securities Ltd.

Swiss Bank Corporation

Bankers Trust International PLC

Credit Lyonnais Euro-Securities Ltd

Credit Suisse First Boston Limited

Dresdner Bank Aktiengesellschaft

First Interstate Capital Markets Limited

International Mexican Bank Limited-InterMex

Kidder, Peabody International Limited

Merrill Lynch International Limited

NAFINSA

Paribas Capital Markets Group

Salomon Brothers International Limited

Santander Investment Bank Limited

May 1992

These securities have not been registered under the Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act of 1933. These securities have been previously sold. This announcement appears as a matter of record only.

U.S. \$100,000,000



Banco Nacional de Desenvolvimento Econômico e Social

9.25% Notes due 1995

Price 98.852%

Bear, Stearns International Limited

Goldman Sachs International Limited

J.P. Morgan Securities Ltd.

Banco Nacional S.A.

Chase Investment Bank Limited

First Interstate Capital Markets Limited

Lehman Brothers International

Merrill Lynch International Limited

Samuel Montagu & Co. Limited

NAFINSA

NMB Postbank Groep N.V.

Paribas Capital Markets Group

Salomon Brothers International Limited

Swiss Bank Corporation

May 1992

THIS NOTICE IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF HOLDERS OF BONDS. IF HOLDERS ARE IN DOUBT AS TO THE ACTION THEY SHOULD TAKE, THEY SHOULD CONTACT THEIR STOCKBROKER, LAWYER, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER WITHOUT DELAY.



Espirito Santo Financial Holding S.A.

US \$100,000,000  
6 per cent. Convertible Bonds due 2003  
(the "Bonds")

NOTICE OF EARLY REDEMPTION

Notice is hereby given to the holders of the Bonds (the "Bondholders") that Espirito Santo Financial Holding S.A. will on 6th July, 1992 redeem all of the Bonds then outstanding at 103 per cent. of their principal amount together with interest accrued to that date pursuant to Condition 7(b) of the Bonds.

RIGHTS OF CONVERSION

Bondholders are reminded that in accordance with Condition 6(A) of the Bonds, the right of conversion on any Bond shall terminate at the end of 29th June, 1992 and that prior to such time rights of conversion attaching to Bonds may be exercised by Bondholders delivering to the specified office of any Conversion Agent listed below, Bonds accompanied by signed and completed notices of conversion in accordance with Condition 6(C) of the Bonds and otherwise complying with the Terms and Conditions of the Bonds.

IMPORTANT

For Illustrative Purposes Only

Based on the closing price of the Shares of Espirito Santo Financial Holding S.A. on the Luxembourg Stock Exchange on 14th May, 1992 of US \$38.58 per Share, each US \$1,000 principal amount of Bonds is convertible, at a conversion price of US \$28, into Shares with a value (including fractional entitlements) of: US \$1,308.43  
Redemption price (including accrued interest) for each US\$1,000 principal amount of Bonds: US \$1,085.50

Bondholders who wish to accept redemption at the redemption price (together with accrued interest) rather than to exercise rights of conversion, should surrender their Bonds (together with all unexpired Coupons) for payment, in accordance with Condition 8 of the Bonds, at the specified office of any Paying Agent listed below on the date fixed for redemption.

Bonds and Coupons will become void unless presented for payment within periods of 10 and 5 years respectively from the relevant date (as defined in Condition 8).

PRINCIPAL PAYING AND CONVERSION AGENT

Union Bank of Switzerland

Bahnhofstrasse 45

Zürich

PAYING AND CONVERSION AGENTS

Union Bank of Switzerland

100 Liverpool Street

London EC2M 2RH

Union de Banques Suisses

36-38 Grand Rue

L-2011 Luxembourg

Kreditbank N.V.

Arenburgstraat 7

B-1000 Brussels

20th May, 1992

# U.S. \$150,000,000 First Bank System, Inc.

Floating Rate Subordinated Capital Notes Due 1996

Interest Rate 5 1/4% per annum

Interest Period 20th May 1992  
20th August 1992

Interest Amount per U.S. \$50,000 Note due 20th August 1992 U.S. \$670.83

Credit Suisse First Boston Limited Agent

**WORLD STOCKMARKETS. WHERE NEXT?**  
If you have a view, take a position  
Contact: Andrew P. Davis on 01-245 1010  
P.O. Box 100, 100 Old Street, London EC1A 3DD  
Tel: 01-245 1010 Fax: 01-245 1011

**REUTERS 'SPIN' FOR LATEST ONE-DAY (LATEST) PRICES**  
The Specialists in Sports Spread Betting  
England 208-243  
Pakistan 208-243  
Number of Catches 6.5-7.25  
OR TELEPHONE 071 820 9788/80

**FullerMoney**  
The International Investment Letter  
from Chart Analysis Ltd  
7 Swallow Street, London W1R 7HD, UK  
Tel: 071-439 4941 Fax: 071-439 4966

**FT-SE 100 Where next?**  
Call for our current views  
MEMBER SFA

**SATQUOTE**  
REAL-TIME EUROPEAN AND U.S. STOCK MARKET DATA AND ANALYSIS AT REALISTIC PRICES  
\* ALSO FUTURES \* OPTIONS \* BONDS \* FX AND NEWS \*  
CALL LONDON 71-329-3377 - FRANKFURT 49-69-639125

**Ita**  
Investment Analysis Ltd  
P.O. Box 100, 100 Old Street, London EC1A 3DD  
Tel: 01-245 1010 Fax: 01-245 1011

## INTERNATIONAL COMPANIES AND FINANCE

## TDK slides 20.7% at pre-tax level

By Robert Thomson in Tokyo

TDK, the Japanese maker of magnetic tapes, has reported a 20.7 per cent fall in consolidated pre-tax profits, to ¥54bn (\$419m). Sales were flat in Japan and down in international markets for integrated circuits and magnetic heads.

Total sales were 0.9 per cent lower at ¥94.87bn, with recording media sales down 4 per cent. Foreign sales slipped

2.3 per cent, and sales of electronic materials and components were up 0.5 per cent.

Parent company pre-tax profit fell 25.4 per cent to ¥38.4bn, on a 1.4 per cent decline in sales to ¥408.3bn. It was the first profit and sales fall for six years.

Apart from the lower sales, the company blamed the poor performance on "exchange-rate fluctuations, start-up costs for a new tape plant in Luxem-

bourg, and a lower fourth-quarter operational rate in order to adjust inventory".

Like many Japanese companies, the slowing of production was necessary after a sharp build-up of stock with Japanese retailers.

In TDK's case, the problem was heightened when its consumer electronics clients also reduced their inventories, cutting demand for its components.

Meanwhile, the collapse of Tokyo share prices reduced the company's unrealised gains on long-term holdings of stocks from ¥38.37bn to ¥21.36bn.

For the current year, parent company sales are expected to rise 0.4 per cent to ¥410bn, with pre-tax profit up 4.7 per cent to ¥35bn. Capital spending, which was ¥57.5bn last year, is forecast at about ¥30bn.

## Decline in demand hits results at Kyocera

By Neil Weinberg

KYOCERA, the world's top maker of integrated circuit ceramic packages, unveiled an 11.1 per cent fall to ¥58bn (\$436.1m) in consolidated pre-tax profits for the year ended March.

The company was hit by slack demand for semiconductor components, the yen's gains against the dollar, and high research and development costs.

Non-consolidated profits were off by a steeper 26.7 per cent to ¥41.1bn, marking the first decline in five years. Net profits for the group, meanwhile, fell 15.9 per cent to ¥27.1bn, and 21.1 per cent to ¥23.3bn for the parent company.

Consolidated sales were off 1.7 per cent to ¥453bn. At the parent company, they were down 4.2 per cent to ¥317bn.

The group's ceramic product sales increased 1.7 per cent to ¥340bn, but electronic equipment sales fell 15.9 per cent to ¥68.3bn, on a sharp drop in foreign demand for computer equipment and laser printers. Optical precision equipment was also off, 1.8 per cent to ¥47.2bn.

Consolidated domestic sales slipped 3.7 per cent to ¥339bn. In contrast, they gained 1.5 per cent to ¥121.6bn in the US, 6.5 per cent to ¥76bn in Europe and 14.1 per cent to ¥49bn in other areas.

The company also cut long-term liabilities 68 per cent, to ¥18.8bn, on a consolidated basis, and 66 per cent to ¥6bn on a parent basis, largely by reducing the level of corporate bonds outstanding.

For the year to March 1993, Kyocera expects non-consolidated sales to rise 5 per cent to ¥333bn, and pre-tax profits 6.8 per cent to ¥43.9bn. The gains are based on expectations of revived demand at home and in the US.

## Omron tumbles 51% despite better sales

By Robert Thomson

OMRON, one of the world's leading makers of switches and other machine control components, has reported a 51.2 per cent fall in pre-tax profit, to ¥13.65bn (\$101.57m), for the year to the end of March. The company blamed the decline on aggressive investment in research and the slowing of the Japanese economy.

Sales rose 3.3 per cent to ¥388.8bn, with sales in core control systems and office equipment softened by the gen-

eral reductions in capital spending by Japanese companies. Demand remained strong for electronic fund transfer systems; sales in this area rose 11 per cent.

The company has been confident that the fall in capital spending in recent months will soon bottom, as Japanese industry needs to invest in labour-saving technology and pollution-control equipment.

The downturn, however, has affected Omron, whose cash reserves fell from ¥99.58bn to ¥68.58bn over the period, and

whose unrealised gains on long-term holdings of shares plunged from ¥37.5bn to ¥13.7bn.

These two trends are common at most leading Japanese companies, which attempted to avoid higher interest rates last year by drawing down their cash reserves. Companies' unrealised gains have been eroded by the stock market collapse.

For this year, Omron is expecting a 3 per cent increase in sales, to ¥400bn, and flat pre-tax profit at ¥13.5bn.

● Rinnai, Japan's largest maker of gas home appliances, reported a 2.3 per cent fall in pre-tax profit, to ¥7bn, on a 3.7 per cent increase in sales to ¥113.9bn.

Demand for Rinnai's products was dampened by weakness in housing construction, though sales of kitchen equipment rose by 3.8 per cent and of water heaters by 3.1 per cent.

For the current year, pre-tax profit is forecast to be slightly higher at ¥7.1bn, with sales rising 3 per cent to ¥117bn.

## Automotive lights group down 20% to ¥2.7bn

By Neil Weinberg

KOITO Manufacturing, Japan's top maker of automotive lighting equipment, suffered a 28 per cent drop in pre-tax profits, to ¥5.3bn (\$59.5m) for the year ended March. The decline reflects the first fall in domestic sales of cars and trucks in over a decade.

Net profits were off 19.8 per cent to ¥2.7bn.

The close Toyota Motor affiliate attributed the lower profits to increased expenses associated with new product launches, higher depreciation, and the need to source a greater share of parts outside the company due to labour shortages.

Sales rose 12.3 per cent to ¥160bn, with new products and high-mount tail lights and other safety equipment leading the gains.

Auto-lighting sales were up 13 per cent to ¥149.4bn; aircraft parts 11.8 per cent to ¥2.9bn; and other products 12.4 per cent to ¥9.6bn.

Exports to the US remained dull due to rising local production by Japanese car-makers and the slow economic recovery. However, shipments were brisk to the Middle East and Central and South America.

For the year ended March 1993, Koito expects sales to rise 5.6 per cent to ¥171.5bn. Pre-tax profits are forecast to fall 7 per cent to ¥4.8bn, and net profits 32 per cent to ¥2.3bn.

## Casio unveils record profits for full year

By Neil Weinberg in Tokyo

CASIO, one of the world's leading makers of digital watches and calculators, unveiled a 10 per cent rise in non-consolidated pre-tax profits, to a record ¥19.1bn (\$143.8m) in the year ended March. Net profits also gained 14.6 per cent to an all-time high of ¥9.5bn.

Casio saw strong performances in all divisions, including an overall 15.6 per cent rise in sales to ¥325bn. New products led the gains, with a label printer and a watch-tonometer combination selling particularly well.

On a consolidated basis, Casio enjoyed an 11.8 per cent gain in pre-tax profits, to ¥22bn, and 14.9 per cent improvement in net profits to ¥10.8bn. Sales climbed 14.4 per cent to ¥383bn.

By division, parent firm cal-

culator sales increased 10.3 per cent to ¥128bn; electronic watches 14.8 per cent to ¥81bn; computer and other equipment 27.3 per cent to ¥77bn; and electronic musical instruments 14.8 per cent to ¥42bn.

The company's plant and equipment budget is scheduled to rise to between ¥22bn and ¥24bn during the current term, from ¥15.3bn in the year ended March. Research spending is expected to remain largely unchanged at ¥15.3bn.

Casio forecasts a 14.9 per cent rise in pre-tax profits, to ¥22bn, and a 15.4 per cent in net profits to ¥11bn for the year ending March 1993. Sales are seen gaining 15.3 per cent to ¥375bn.

Consolidated figures are expected to rise similarly, with sales up 18 per cent to ¥458bn, pre-tax profits 10 per cent to ¥24.5bn, and net profits 14 per cent to ¥12bn.

## Mitsubishi Corp and Apple Japan forge alliance

APPLE Computer Japan has forged an alliance with Mitsubishi Corp, Japan's largest trading company, aimed at capturing more of the Japanese market for business systems, Reuters reports.

Mitsubishi said it would form an Apple Task Force with 50 systems engineers by the end of the year, and open an Apple Business Centre in Tokyo's Marunouchi business district.

Mitsubishi hopes its Apple-related sales will rise to ¥30bn (\$225.56m) in fiscal 1994. Apple's own sales in Japan jumped 33 per cent to about ¥52bn last year, making Japan the computer-maker's fastest-growing market.

## Leading UAE bank edges ahead 3%

NATIONAL Bank of Abu Dhabi (NBAD), the largest bank in the United Arab Emirates in terms of total assets, said net profit rose 3 per cent in 1991, to Dh28.6m (\$25.33m) from Dh29.5m the previous year. AF-DJ reports from *Masaba*.

The bank said it had set aside Dh68.3m as a provision for possible loan losses, 87 per

cent above the Dh50m of provisions in 1990.

Net interest income rose 18 per cent to Dh260.8m from Dh233m in 1990, the bank said.

Total assets at the end of December 1991 stood at Dh23.45bn, up 8 per cent from Dh21.54bn a year earlier.

Bank deposits with NBAD dropped sharply, by 26 per

cent, to Dh2.98bn at the year end, from Dh4.04bn. That was partly offset by a 17 per cent rise in customer deposits, which gained to Dh20.1bn from Dh17.2bn.

Loans and advances were up 23 per cent, to Dh9.54bn from 7.77bn.

NBAD proposed total dividends of Dh75.3m, unchanged from the 1990 payout.

## Yamaha Motor falls 12%

By Neil Weinberg

YAMAHA Motor, the world's second leading motorcycle manufacturer, saw an 11.9 per cent decline in non-consolidated pre-tax profits in the year ended March. It blamed the drop on unfavourable foreign exchange moves.

In contrast, company sales climbed 5.5 per cent to ¥480.5bn (\$3.61bn). Domestic turnover slipped 1.3 per cent to ¥198bn on sluggish demand for sports motorcycles.

Total export sales, however, gained 10.6 per cent to

¥282.5bn, led by a 16.7 per cent jump in motorcycle shipments. Demand recovered in the US and was also strong in Europe and Asia, the company said.

By sector, sales of motorcycles increased 10 per cent to ¥231.3bn, and special-duty products, including golf carts, 2.5 per cent to ¥47.1bn. Marine equipment sales fell 4.4 per cent to ¥107.9bn, and auto engines 5 per cent to ¥39.7bn.

For the year to March 1993, Yamaha expects pre-tax profits to fall 13.4 per cent to ¥6.5bn, on a 1 per cent gain in sales to ¥485bn.

"There's no future without it."

Whether you're a trader, broker or end user, you know how essential platinum is.

You also know that the need for platinum—in products that make clean air, clean-burning fuel, alternate energy sources, pharmaceuticals, luxury items and more—is a need that can only grow.

So you'll be happy to know that NYMEX provides you with something equally essential for the future.

NYMEX platinum futures and options are links in a worldwide market that makes it possible to manage your risk 24 hours a day. What's more, you enjoy the security of knowing that you're in the oldest and best-regulated platinum market in the world.

You might say there's no future—or option—without it.



**NEW YORK MERCANTILE EXCHANGE**  
Four World Trade Center, New York, NY 10048 212/938-2879  
35 Piccadilly, London W1V 9PB England 4471-734-7282

© 1992 New York Mercantile Exchange

**CIVIS LIMITED**  
Yen 8,000,000,000  
Secured Floating Rate Notes due 1994  
Interest Rate 4.875% p.a. Interest  
Period May 20, 1992 to November 20, 1992. Interest Payable per Yen  
1,000,000 Note Yen 24,328.  
May 20, 1992 London  
By Citibank, N.A., (ISS) Dept. 1, Agents Bank

**TRADING STRATEGIES & IDEAS**  
Currencies • Bonds  
Energy • Metals &  
Oil Markets  
Setting The Trend For Others To Follow  
Trend Analysis Ltd  
Pleasure House  
32 Southgate Street  
Winchester  
Hants SO23 5EH  
Tel: 0962 879764  
879 879

## KfW 1991

## Extraordinary Achievements

As the Federal government's instrumentality for promoting economic progress in Germany and abroad, it was

one of our main tasks in 1991 to spur reconstruction in the eastern part of our country.

Our contribution has been impressive: loan commitments of DM 22.6 billion were pledged for investments in eastern Germany, where they helped to finance 20,000 business projects, to create and secure 170,000 jobs as well as to modernise 410,000 homes, and generally to improve conditions by advancing environmental protection.

Moreover, of a total of DM 9.2 billion for export loans, DM 1.5 billion were in favour of east German companies.

Funds totalling DM 41.9 billion were committed to promote economic progress in all of Germany, east and west.

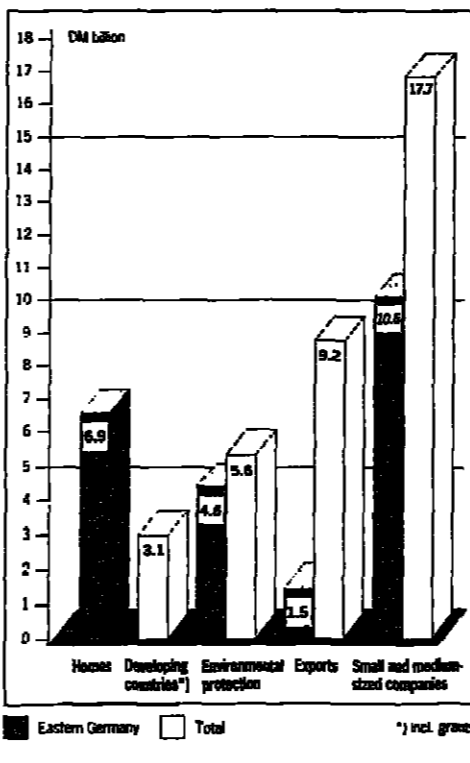
Financial assistance to the developing countries was increasingly aimed at protecting both natural resources and the environment as well as fighting poverty through help for self-help.

KfW is 80% owned by the Federal Republic, and 20% by the Federal States. As a major source of funds we issue bonds and notes, rated "triple A" by the leading international rating agencies.

1991—an extraordinary year throughout. In which our staff excelled to help us produce extraordinary achievements. Our annual report will tell you more about our work. We will be pleased to send it to you.

## Main activities

Loan commitments in 1991 (DM billion)



## 1991 balance sheet highlights (in DM billion)

	1990	1991
Total assets	134.7	160.5
Total lending	123.5	148.8
Borrowed funds	87.0	94.7
Bonds and notes issued	30.8	46.5
Capital and reserves	4.3	4.6

Postfach 11 11 41  
D-6000 Frankfurt/Main 1  
Fax (69) 74 31-29 44  
Telex 4 15 25 60 kwd

**KfW Kreditanstalt für Wiederaufbau**

No 004790/1992

IN THE HIGH COURT OF JUSTICE  
IN ENGLAND  
Chancery Division  
Mr Registrar Buckley

IN THE MATTER OF  
**THE MEDITERRANEAN INSURANCE & REINSURANCE COMPANY LIMITED**

and

IN THE MATTER OF  
**THE COMPANIES ACT 1985**

**NOTICE IS HEREBY GIVEN** that, by an Order dated 14th May, 1992 made in the above matters, the High Court of Justice has directed a Meeting to be convened of the Closing Scheme Creditors (as defined in the Scheme of Arrangement hereinafter mentioned) of The Mediterranean Insurance & Reinsurance Company Limited ("the Company") for the purpose of considering and, if thought fit, approving (with or without modification) a Scheme of Arrangement ("the Closing Scheme") proposed to be made between the Company and the Closing Scheme Creditors and that such Meeting will be held at The Conference Forum, The Sedgwick Centre, London E1 8DX on 3rd July, 1992 commencing at 11.00 a.m., at which place and time all such Closing Scheme Creditors are requested to attend.

Any creditor of the Company who is or believes that he may be entitled to attend the said Meeting can obtain copies of the said Closing Scheme, the Explanatory Statement required to be furnished pursuant to Section 426 of the Companies Act 1985 and the Form of Proxy for use at the said Meeting from the registered office of the Company at Box House, 42-47 Minories, London EC3N 1DY or from the offices of Clifford Chance, Royce House, Aldermanbury Square, London EC2V 7LD, in each case during usual business hours on any day (other than a Saturday or a Sunday) prior to the date appointed for the said Meeting.

Closing Scheme Creditors may vote in person at the said Meeting or they may appoint another person, whether a Closing Scheme Creditor or not, as their proxy to attend and vote in their place. It is requested that the forms appointing proxies be lodged with the Company Secretary at the registered office of the Company not less than 48 hours before the time appointed for the Meeting, but if forms are not so lodged they may be handed to the Chairman at the said Meeting.

By the said Order, the Court has appointed Malcolm J. London or failing him, Philip J. Singer, to act as Chairman of the said Meeting and has directed the Chairman to report the results thereof to the Court.

The Closing Scheme will be subject to the approval of the Court.

Dated 20th May, 1992

## INTERNATIONAL COMPANIES AND FINANCE

## CONTRASTING RESULTS FROM TWO LEADING EUROPEAN CAR MAKERS

## Volvo registers first-quarter loss

By Robert Taylor in Stockholm

VOLVO, the Swedish vehicle group which is moving closer to a possible merger with Renault, suffered a first-quarter loss of SKr248m (\$43m) after financial items. This contrasts with a SKr340m profit for the same period of 1991.

The return to the red at Volvo with a SKr347m operating loss for the first quarter follows a small SKr88m operating profit in the fourth quarter of 1991 following five consecutive quarterly operating losses. It recorded a SKr397m deficit for the first quarter of last year.

By contrast, group sales revenue rose by 10 per cent to SKr20.02bn for the first quarter of 1992, from SKr17.46bn last year.

Total group assets rose to SKr108.6bn from SKr106.7bn at the end of December due to acquisitions and divestments, while liquid funds fell to SKr18.4bn in the first quarter from SKr18.8bn.

Return on capital employed rose to 6.2 per cent in the latest 12-month period from 3.8 per cent last time, while income per share was SKr2.10 compared with a loss of SKr12.91.

The negative trend in its most important vehicle markets - the US, Britain and

Sweden - had brought "heavy pressure" on the group's profits performance.

But the company also pointed out the operating loss had "declined significantly", mainly due to rationalisation measures, first adopted in the autumn of 1990. Volvo estimates its cost level - calculated on an annual basis - was reduced by SKr500m.

So far, cost-saving measures have totalled SKr3.5bn, and by the end of this year Volvo calculates its total cost level will have been cut by as much as SKr5.3bn.

But the group said yesterday that "despite this achievement, continued efficiency improve-

ments and aggressive marketing efforts" were required.

It added that the alliance with Renault had already yielded gains and this would strengthen the group's long-term competitiveness, while co-operation with Japanese car maker Mitsubishi would provide Volvo with "important knowledge in the area of production technology" in the medium-size car range.

Volvo's truck division sales, meanwhile, rose by 8 per cent to SKr7.42bn from SKr6.55bn. Volvo said there had been some recovery in the US and Britain in the first quarter and its share of the truck market had risen slightly in Europe.

## Sharp rise in income at Dell Computer

By Louise Kehoe in San Francisco

DELL Computer more than doubled first-quarter revenues as US personal computer sales boomed. The Texas company, a pioneer in the mail order distribution of computers, also nearly doubled its earnings, reporting results well above expectations.

Net income was \$18.8m or 52 cents a share, up from \$10.1m or 30 cents in the same period a year ago. Revenues for the quarter were \$366.1m, compared with \$174.6m a year earlier.

"Our market-share momentum accelerated during the quarter and confirms our belief that Dell's business model may be imitated - but not duplicated," said Mr Michael S. Dell, chairman and chief executive officer.

In recent months, several of Dell's competitors, including International Business Machines, Digital Equipment and Compaq Computer have begun offering mail order services.

Dell's strong earnings are particularly remarkable at a time when many personal computer manufacturers are struggling to adjust to rapidly declining prices and changing distribution channels, with discount "superstores" now representing a primary sales channel in the US.

In the first quarter of fiscal 1992, sales doubled in both US and international operations and were higher in every country and in every customer segment over the comparable quarter a year ago, the company said.

"Our domestic sales were up more than 35 per cent from the fourth quarter of last fiscal year and order rates accelerated as the quarter progressed," said Mr Dell.

International sales were \$139.5m, compared with \$70.1m previously.

## Chemical Banking sees decline in debt provisions

By Alan Friedman in New York

THE CHAIRMAN of Chemical Banking, the US banking group formed by the merger of Manufacturers Hanover Trust and Chemical Bank, yesterday predicted a decline in the level of the bank's bad debt provisions and loan write-offs during the second and third quarters of 1992.

Mr John McGillicuddy, speaking at the first shareholders meeting since the merger took place last year, said the \$375m bad-debt provision level recorded in the first three months of the year was high.

The Chemical chairman said he thought the level of non-performing assets would peak in the second or third quarter of

the year. The total of non-performing assets at the bank was \$6.2bn at the end of March.

Turning to the treatment of loans to Olympia & York, the Canadian property group that recently filed for protection from creditors in Canada and the US, Mr McGillicuddy said the bank's lending to O&Y Development Ltd was placed on non-performing status in the first quarter of 1992.

Chemical Banking has a loan exposure of about \$85m to the O&Y group, of which half is represented by lending to property projects, such as the Canary Wharf development in London.

Mr Walter Shipley, chief executive of Chemical, meanwhile told shareholders the bank was confident it would

meet or exceed its stated cost-cutting targets, which began with annual operating cuts of \$250m by year-end and as much as \$750m a year by 1995.

Mr Shipley said the reduction in staff was also proceeding on schedule, with 2,800 jobs eliminated since the merger was announced last summer and the greater part of the overall goal of 6,200 cuts to be achieved by year-end.

Chemical Bank is also continuing to strengthen its capital base, having achieved a level of 6.6 per cent in its Tier 1 risk-based ratio at the end of March.

The bank is planning to raise up to \$250m by offering up to 10m fixed-rate perpetual preferred shares at \$25 each.

## Renault stages sharp recovery in profits

By William Dawkins in Paris

RENAULT, the French state-owned car maker, yesterday reported a strong first-quarter profits recovery. Pre-tax profits climbed from FF298m (\$56.2m) in the first three months of 1991 to FF236m in the same period of this year, on sales up by 19.3 per cent from FF40.01bn to FF47.73bn.

The gain comes after accounting for Renault's FF180m share of Volvo's losses.

The group attributed the improvement to record car sales in the first quarter. This was mostly due to the group's performance, though a limited gain also came from the release of pent-up demand, which had built up during last autumn's strike at Renault's

main engine and gear box making plant.

The latest figures continue the sharp improvement in Renault's profits shown over the whole of last year, and is a mark of the productivity gains achieved under the chairmanship of Mr Raymond Lévy. He is due to retire on Friday, after nearly six years at the head of the group.

His successor, expected to be

the managing director Mr Louis Schweitzer, is likely to be named next week.

Renault sold FF40.28bn worth of cars in the first quarter, 84.4 per cent of total turnover, well up on the 80.9 per cent of total sales they represented in the same period of 1991. Truck making accounted for FF6.33bn, and the remaining FF1.1bn came from other industrial activities.

## Saudi Arabian bank closes London branch

By Mark Nicholson, Middle East Correspondent

NATIONAL Commercial Bank, Saudi Arabia's biggest in terms of assets, said yesterday it was closing its London branch as part of a rationalisation and to cut costs.

The bank said its London branch, one of eight branches or representative offices overseas, had not been profitable since it was set up six years ago.

Mr Jinx Graftey Smith, the Jeddah-based bank's London representative, said the branch, which has a staff of 53, would be scaled down to representative status.

"One is not leaving London

- one is cutting costs though," he said.

However, bankers close to the Saudi banking market expressed surprise at the move yesterday, suggesting that even if it made financial sense, it represented some loss of face for one of the most established and best-connected banks in the Kingdom.

Bankers in Riyadh also speculated that behind the move may have lain some discomfort within the Bank of England over the fact that NCB has not produced any financial figures since 1989 - a result, according to some Saudi bankers, of an internal dispute among the bank's Saudi owners.

The bank, owned by Sheikh

Khaled bin Mafouz, showed assets in 1989 of SR84bn (\$22.4bn), and, although it has not produced any figures since 1989, it is widely viewed as profitable and liquid by bankers in Riyadh and Jeddah.

However, its accounts were qualified in Saudi Arabia in 1987, 1988 and 1989 under articles of the Saudi banking control law banning lending to a client in excess of a quarter of reserves and prohibiting some types of credit without security.

Mr Graftey Smith yesterday firmly denied the closure was the result of any pressure from the Bank of England. The Bank itself declined to comment.

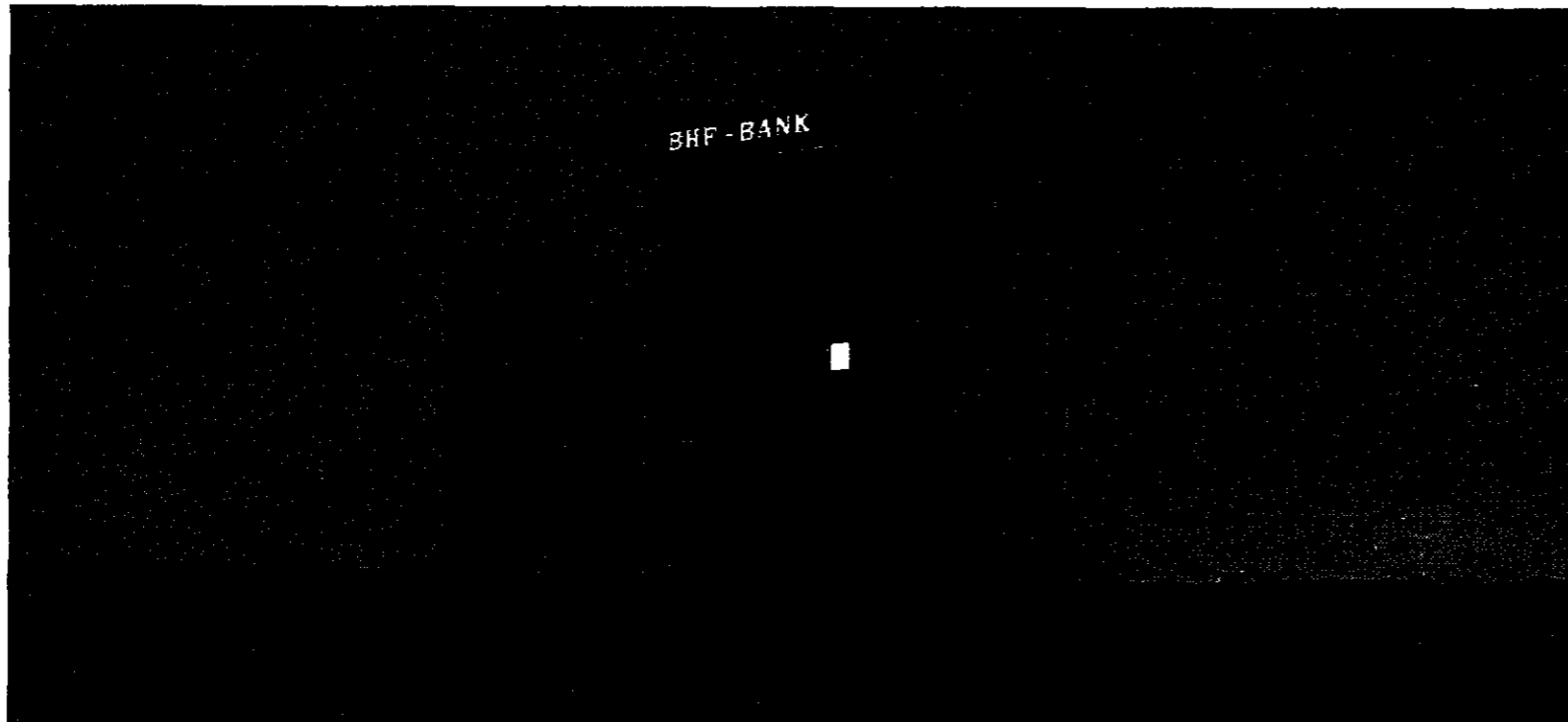
However, the Bank is understood to have communicated its concern over NCB's lack of published figures directly to the bank's owners last year.

Mr Graftey Smith said the branch, which undertook trade, treasury and corporate lending operations out of London, with a total book of some \$1bn, had returned modest profits on the former two, but had made substantial losses on its lending.

Bankers close to the Saudi market in London suggested the branch closure was not entirely surprising in that light.

"It's a loss of face, but they'll be better off without it," said one.

## Our balance for 1991: 366 days of customer service

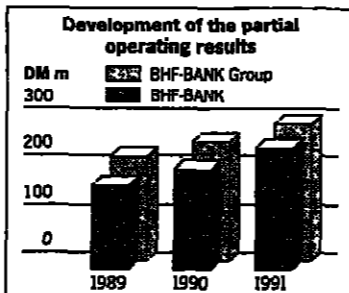


In spite of difficult economic and political times, we achieved good results again in 1991. The intensive competition on the financial markets has confronted us with new challenges: our world-wide presence has enabled us to use each and every hour of the day to provide consultation services and account management for our customers - pushing the calendar to its limits.

Our consultancy services at home and abroad have led to a significant growth in lending business. The Group volume of corporate loans rose by 12.1% in comparison with the previous year to DM 35.2 bn, with short and medium-term lending alone growing by 22.4% to almost DM 12 bn. And the volume of business increased by 9.6% to DM 48.4 bn.

A considerable increase in income - especially in interest-earning business - as well as cost limitation has led to an 18.5% improvement of the Group operating result. We are pleased to be able to share this success with our shareholders with an increased dividend of DM 13.- per share.

By means of personal consultancy and particular dedication we shall, as in the past, continue to foster our style as a merchant bank which has been the hallmark of BHF-BANK for over 100 years.



BHF-BANK

Merchant Bankers  
by Tradition

Head office: Bockenheimer Landstr. 10, D-6000 Frankfurt 1, Tel. (0 69) 718-0, Fax (0 69) 718-22 96, Telex 41026 (general).  
London branch: 61 Queen Street, London EC4R 1AE, Tel. (0 71) 634 2300. BHF-BANK London branch is a member of the SFA.  
Branches, subsidiaries and representative offices in Amsterdam, Bogotá, Bombay, Buenos Aires, Hong Kong, Jersey, Johannesburg, Los Angeles, Luxembourg, Madrid, Melbourne, Milan, New York, Paris, Rio de Janeiro, Singapore, Tehran, Tokyo and Zurich.

## Japanese cotton spinners turn in mixed results

By Emiko Terazono in Tokyo

JAPANESE cotton spinners reported mixed results for the fiscal year to March.

Kurabo Industries posted a 19.4 per cent rise in pre-tax profits to ¥1.8bn (\$13.5m) on a 2.6 per cent rise in sales to ¥144.4bn. After-tax profits rose 6.2 per cent to ¥1.5bn.

For the current year to March, Kurabo forecasts a 19.5 per cent rise in pre-tax profits to ¥2.3bn on a 2.4 per cent increase in sales to ¥148bn.

Daiwabo returned to the black with a non-consolidated pre-tax profit of ¥1bn, against the previous year's loss of ¥162m. Overall sales fell 5.7 per cent to ¥71.1bn due to sluggish sales of cotton yarn.

However, Daiwabo posted after-tax losses of ¥978m due to

a ¥2.8bn extraordinary loss as a result of inventory liquidation. Daiwabo said it will not pay annual dividends.

For the current year to March 1992, it expects a 22.5 per cent decline in pre-tax profits to ¥800m on a 4.2 per cent increase in sales to ¥74.2bn.

Shikibo posted a pre-tax loss of ¥5.3bn against the previous year's loss of ¥1.3bn. Sales rose 11.9 per cent to ¥77.5bn.

However, Shikibo posted an extraordinary loss of ¥13.5bn due to the liquidation of its two financing affiliates, which incurred heavy losses as a result of extensive stock speculation. After-tax losses totalled ¥4.7bn. The company will also skip its dividend payment.

For the current year, Shikibo expects to reduce its pre-tax loss to ¥2bn.

## Dayton Hudson lifts sales but earnings static

By Nikki Tait in New York

DAYTON HUDSON, one of the large US retailing groups, yesterday reported static profits in the three months to May 2, at \$85m, against \$84m.

Sales, however, rose from \$3.35bn to \$3.72bn, and - helped by a relatively upbeat statement from Dayton's chairman, Mr Kenneth Mackie - the shares added 1 1/4% to \$60 1/4.

The strongest performance came from Dayton's discount chain, Target. Here, same-store sales rose by 8 per cent, and total sales were up from \$1.84bn to \$2.15bn.

"We are encouraged that sales are beginning to show some strength in California, especially at Target," said Mr Mackie.

## WOOLWICH - Building Society -

£100,000,000  
Floating rate notes  
due 1994

Notice is hereby given that the notes will bear interest at 10.125% per annum from 18 May, 1992 to 18 August, 1992. Interest payable on 18 August, 1992 will amount to £254.51 per £10,000 note and £2,545.08 per £100,000 note.

Agent: Morgan Guaranty  
Trust Company

JPMorgan

Wells Fargo &amp; Company

US\$250,000,000  
Floating rate subordinated  
notes due 1997

In accordance with the provisions of the notes, notice is hereby given that for the Interest Period 20 May, 1992 to 20 August, 1992 the notes will carry an interest rate of 5.25% per annum. Interest payable on the relevant interest payment date 20 August, 1992 will amount to US\$134.17 per US\$10,000 note.

Agent: Morgan Guaranty  
Trust Company

JPMorgan

U.S. \$250,000,000

BANK OF BOSTON  
CORPORATION

Subordinated

Floating Rate Notes Due 2001  
Issued 10th February 1992

Interest Rate 5% per annum  
Interest Period 20th May 1992  
20th August 1992

Interest Amount per  
U.S. \$50,000 Note due  
20th August 1992 U.S. \$638.89

Credit Suisse First Boston Limited  
Agent

Cheltenham & Gloucester  
Building Society

£175,000,000

Floating Rate Notes due 1996

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 17th August, 1992 has been fixed at 10.15% per annum. The interest accruing for such three month period will be £260.68 per £10,000 Bearer Note, and £2,606.83 per £100,000 Bearer Note, on 17th August, 1992 against presentation of Coupon No. 1.



London Branch  
Agent Bank

15th May, 1992

## INTERNATIONAL COMPANIES AND CAPITAL MARKETS

## Australian ICI 27% ahead at halfway

By Kevin Brown in Sydney

ICI AUSTRALIA, a subsidiary of the UK chemicals group, yesterday reported a 27 per cent increase in net profits to A\$30m (US\$23m) on turnover down 3 per cent to A\$1.4bn for the six months ended March.

The company said the result would have been still better but for the impact of the depressed plastics market and increased competition from imports, some of which it claimed had been dumped.

Mr Michael Deesley, chief executive, said the company was pleased with the recovery in profits, but warned that full-year earnings were not likely to show much improvement on last year.

"We are hoping to do a little better (this year), but we are not promising any big improvements," he said. "There are few signs yet of a recovery in volumes or prices in Australia or on world markets."

ICI said the plastics division made a trading loss before abnormal items of A\$22m, compared with a profit of A\$5m in the comparable period of the previous year.

"Sales volumes were similar to last year, but overseas plastics prices continued to decline, leading to weaker local and export prices and margins," he said.

Mr Deesley said increased import competition and dumping particularly affected local vinyl resin and polythene polymer prices. "Despite concerted efforts, no effective dumping protection has been achieved," he said.

ICI said the recent sale of its 12.5 per cent holding in Vinidex Tubemakers to Tubemakers of Australia would result in an abnormal net profit of about A\$14m in the second half.

Oil and gas producer Santos said first-quarter sales revenue fell 12.2 per cent to A\$144m, mainly due to lower oil prices. Reuters reports from Adelaide.

Mr Stan Wallis, chairman, told the annual meeting crude oil prices for the March quarter were on average US\$3 a barrel lower than for the 1991 first quarter.

## BTR Nylex sells two US assets

By Kevin Brown in Sydney and Emilio Terazono in Tokyo

BTR Nylex, a quoted Australian subsidiary of BTR, the UK industrial conglomerate, yesterday announced two US disposals together worth \$71m.

It has sold ACI America, its US glass business for \$68m and also part of its shareholding in General Chemical Soda Ash Partners (GCSAP), a US soda ash producer, for \$3m.

Mr Alan Jackson, chairman, said that the ACI America sale - to the Vitro Group of Mexico - was part of an overall group review of operations which might include other disposals of non-core assets "where prudent".

ACI America was acquired in 1989 when BTR Nylex bought ACI International, a diversified industrial group, for A\$1.7bn (US\$1.28bn). ACI America is a

market leader in glass distribution, with more than 120 distribution and retail sales outlets on the US west and south coasts, and in the eastern states.

BTR Nylex said ACI America would complement the glass manufacturing activities of Vitro Plan SA, a subsidiary of Vitro Sociedad Anonima of Mexico.

The company manufactures and distributes flat and auto-glass products. BTR Nylex's main glass interests are in bottle manufacturing.

BTR Nylex announced plans for a restructuring before reporting a 41 per cent slump in annual net profits to A\$266m six weeks ago. The group's shares closed unchanged at A\$3.61 on the Australian Stock Exchange.

The shares in GCSAP are being acquired by Tosoh, the leading Japanese integrated



Alan Jackson: overall group review of operations chemical company. The company's US arm will buy 24 per cent of GCSAP, reducing the BTR Nylex stake from 49 per cent to 25 per cent.

GCSAP was set up by Gen-

eral Chemical Corporation, a US chemical company, and BTR Nylex in 1986. The company's current soda ash production capacity is 2.2m tonnes a year.

The purchase will make Tosoh one of the world's leading soda ash producers, and will give the company access to a ready supply of alkali in the US.

● Vitro, Mexico's largest industrial conglomerate and producer of flat glass, is listed on the New York Stock Exchange. *writes Damian Fraser.*

The purchase of ACI furthers Vitro's aim of becoming an integrated North American group ahead of a free trade pact with the US and Canada. More than 50 per cent of Vitro's sales are now outside Mexico, largely as a result of the 40 per cent accounted for by its US arm, Anchor Glass.

## Scepticism grows over Australian brewing deal

By Kevin Brown in Sydney

SA Brewing shares rose 9 cents to A\$2.10 on the Australian Stock Exchange yesterday, reflecting growing scepticism about the group's proposed merger with Foster's Brewing Group. Foster's shares fell 7 cents to A\$1.92.

The share movements suggest investors believe the proposed merger would benefit International Brewing Holdings (IBH), Foster's main shareholder, at the expense of SA Brewing shareholders. Meanwhile, Standard and Poor's, the US credit rating agency, placed both companies on creditwatch for a possible downgrading, further complicating the proposal.

"In our view, the uncertainty surrounding the outcome of the merger proposal and its effects on lenders to Foster's is sufficient to place Foster's on creditwatch with developing implications," the ratings agency said.

It said the merger would affect SA Brewing's credit rating by exposing the group to a higher degree of leverage, and reducing the strength of its conservatively-gearred balance sheet.

Foster's long-term unsecured debt is rated BB, and its commercial paper B1. The longer-term unsecured debt of SA Brewing is rated BBB plus, and its commercial paper A2.

Mr Ross Wilson, SA Brewing chief executive, is in the middle of a roadshow for institutional investors in Melbourne and Sydney, in an attempt to generate enthusiasm for the merger proposal.

However, brokers said that the deal was unlikely to succeed because of the opposition of Foster's directors, lack of enthusiasm from Asahi Breweries of Japan, which owns 20 per cent of Foster's, and also regulatory difficulties.

SA Brewing was believed to be having trouble persuading institutional investors to support the sale of about 6 per cent of IBH's entitlement to shares in the merged group at a price valuing its Foster's shares at A\$2.50.

## Crédit Suisse heads Swiss foreign bond managers' league

By Ian Rodger in Zurich

THE SWISS franc foreign bond market was surprisingly resilient last year, considering the background of a weakening franc, rising interest rates and dreary Japanese equity trends. The value of the market dropped only 11.4 per cent to SF28.8bn (US\$19.7m), and the Japanese share actually rose slightly from SF12.1bn to SF12.9bn.

Equity related issues - convertible bonds and warrant bonds - accounted for 37 per cent of the value of all issues, up from 34 per cent in 1990. Japanese issuers were responsible for more than 99 per cent of them.

The league table of lead managers shifted slightly, with Crédit Suisse displacing Union Bank of Switzerland (UBS) at the head.

It was expected that the dominance of the big three Swiss banks would decline after the issue of banking licences to Japanese securities houses in 1988, but their combined share of 61.2 per cent last year was only 2 per cent less than in 1990.

No Japanese house has yet taken away a lead management position from a Swiss

## TOP TEN LEAD MANAGERS

Crédit Suisse	1	(3)
SBC	2	(2)
UBS	3	(1)
Paribas	4	(12)
Nomura	5	(4)
Wirtz und Privat	6	(5)
Yamaichi	7	(11)
Volksbank	8	(6)
Gottardo	9	(7)
Dawson	10	(20)

bank for a repeat Japanese borrower although that milestone has been anticipated for months.

"Things have been moving more rapidly in the equity-linked table, with Japanese firms taking three of the top five places in the period up to mid-May this year, compared with only two last year."

Market specialists agree that the introduction of conversion price adjustments on equity related issues - an innovation attributed to Yamaichi Bank (Switzerland) - has helped move these issues in a year when Japanese equity prices were plunging.

The feature enables the conversion or exercise price to be reduced by up to 20 per cent several months before the conversion date.

## Managers of India Fund suggest unit trust structure

By Simon London

THE MANAGERS of the India Fund, one of the largest country funds quoted on the London market with net assets of more than \$300m, (\$331m) have proposed it could be restructured as a unit trust.

Merrill Lynch, which manages the fund, said that the change in capital structure would close the discount to asset value at which the shares currently trade.

With an open-ended or unit trust structure, the unit price should reflect the asset value of the fund.

The rapid rise of the Indian market this year has not been reflected in the share

price of the India Fund.

Yesterday shares were quoted at £3.44, a 37 per cent discount to asset value. When the fund was launched in 1986, by comparison, shares were quoted at 100p.

An open-ended structure can be difficult for investment managers however, since assets may have to be liquidated rapidly if investors withdraw funds.

Merrill Lynch said that an extraordinary meeting of shareholders would be called next year in order to vote on the proposals.

A 75 per cent majority in favour would be required for any change of capital structure to be implemented.

## La Caixa set to acquire Progreso

By Tom Burns in Madrid

LA CAIXA, the Barcelona-based savings bank that ranks as Spain's biggest financial institution, is seeking to add investment banking to its growing business empire by means of the acquisition of Banco de Progreso.

The March family, one of the wealthiest in Spain, owns 66 per cent of Progreso, a stake valued at about \$116m at current stock market prices. Spokesmen for the family and for La Caixa said that the negotiations for Progreso's purchase were at an advanced stage.

The acquisition will gain La

Caixa entry into the major corporate business in Spain and through the company's London office.

La Caixa has customer deposits of some Pta47,000bn (\$471.1m). It made net profit last year of Pta30.7bn.

La Caixa's decision about Progreso follows its acquisition of a 50-branch strong banking network in France from Paribas, as well as purchases of an asset management bank in Monaco and of a major stake in Credit Andorra. In Spain, La Caixa paid Pta2.8bn earlier this month for the small private bank, Isobank.

Strongly-entrenched in Cata-

lonia, La Caixa is seen in Spain as a pioneer in what is viewed as a steady encroachment by the big savings banks on what was traditionally considered the preserve of the major domestic banks.

For the March family, the prospective disposal of Progreso represents a further retreat from the financial sector.

Three months ago, Corporacion Alba, the stock market listed holding company controlled by the family, realised Pta12bn with the sale of its 15.5 per cent stake in the Signet Banking, its financial arm in the US.

## Bic to buy US stationery concern

By Alice Rawsthorn in Paris

BIC, the French company and leader in the international market for disposable pens, razors and cigarette lighters, is expanding its stationery interests in the US by buying Wite-Out for an undisclosed sum.

Wite-Out specialises in the production of corrective fluids for blotting out mistakes made on typewriters. It has annual sales of \$12m and a

market share of 15 per cent. In recent years, the corrective fluids market has come under pressure because of the development of typewriters and word processors with automatic correction facilities.

However, Mr Bruno Bich, chairman of Bic's US subsidiary, said the acquisition of Wite-Out was an "excellent extension" of the group's product portfolio.

Bic, which is best known for

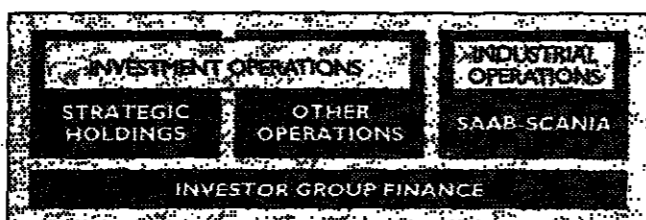
its ball-point pens and disposable razors, also owns a number of prominent stationery brands, including Conté, one of France's most exclusive lines of pencils and papers.

The Bic group has been expanding its US interests in recent years under Mr Bich, who was recently named the successor to his father, Baron Marcel Bich, as chairman of the Bich holding company when the latter retires.

INVESTOR AB  
INTERIM REPORT  
for the three months ended March 31, 1992

Investor is the largest industrial holding company in Sweden, with total assets of approximately SEK 80 billion. Industrial holdings comprise a strategic portfolio in a number of Sweden's largest multinational corporations: Astra, STORA, Incentive, ASEA, SKF, Atlas Copco, Ericsson and Electrolux. Industrial operations consist of Saab-Scania.

## INVESTOR



## INVESTOR GROUP

- Net worth: SEK 35,067 m. (Dec. 31, 1991: SEK 27,028 m.\*) or SEK 193 (148\*) per share, up 30 percent.
- Income after financial items: SEK 1,148 (258\*) m.

## INDUSTRIAL HOLDINGS

- Market value of the strategic holdings: SEK 23,078 m. (Dec. 31, 1991: SEK 20,411 m.\*), up 17 percent (The Affärsvärlden General Index up 9 percent).
- Acquisitions of shares in Incentive, sales in ASEA and Skandia.
- Sales of Rikskuponger, the shipping operations of Navigare and the holdings in NRI, Matra and BZ Bank.

\* Pro forma

## INDUSTRIAL OPERATIONS

- Operating income of the Saab-Scania Holdings Group: SEK 315 (342\*) m.
- Operating income of the Saab-Scania Group: SEK 396 (422) m.
- Saab-Scania Group income after financial items: SEK 610 (270) m.
- Maiden flight of the Saab 2000.
- Agreement in principle reached with the Swedish military on the JAS 39 Gripen aircraft.

## INVESTOR

This is a summary of Investor's interim report for the three months ended March 31, 1992. The complete report can be obtained from Investor AB, S-103 32 Stockholm, Sweden, or by telephoning Int +46-8-614 20 00. Saab-Scania's interim report can be obtained from Saab-Scania AB, S-581 88 Linköping, Sweden.

POLSKA TELEFONIA  
KOMORKOWA, Sp. z o.o.

A JOINT VENTURE COMPANY FORMED BY:

Telekommunikacja Polska SA, Ameritech and France Telecom

## US\$ 60,000,000 medium term loan

NON RECOURSE PROJECT FINANCING

ARRANGER:

European Bank  
for Reconstruction and Development

SECURITY ARRANGEMENTS IN CO-OPERATION WITH:

Bank Handlowy w Warszawie S.A.

FUNDS PROVIDED BY:

European Bank  
for Reconstruction and Development

Banque Nationale de Paris

Internationale Nederlanden Bank N.V.

Crédit Lyonnais

Société Générale

FINANCIAL ADVISOR TO THE BORROWER:

Lazard Frères et Cie

European Bank  
for Reconstruction and Development

April 1992

## INTERNATIONAL CAPITAL MARKETS

## Ontario's \$2bn issue launched to warm reception

By Richard Waters

THE PROVINCE OF Ontario's new programme of large global bond issues was launched to a largely appreciative market yesterday, enabling \$2bn of bonds to be soaked up with relative ease.

Against a positive background in the US Treasury market, strong demand from US investors set the tone and acted to bring in investors from Europe later in the day. The 10-year bonds were offered with an indicated yield spread of 64-66 basis points over the US government market but, given the level of demand, it seemed likely that the deal would be priced at the lower level.

For Ontario, which this year expects to raise around C\$10bn from the capital markets to finance its budget deficit, the issue was an important launch for its new funding programme. Had it chosen to raise money through a smaller issue in the Yankee (domestic US) market, it could have offered a yield spread of close to 60, some bond market profes-

sionals said. But the price was widely seen to have been pitched at the right level to ensure true global distribution for the issue.

Ahead of the opening in the Far East, around half of the bonds seemed destined for the US. J.P. Morgan and Salomon Brothers, joint lead managers,

## INTERNATIONAL BONDS

each of which took \$600m of bonds, said the issue size would not be raised, and that allocations would be scaled back.

The second huge dollar offering of the week seemed imminent last night: a \$1bn, five-year issue from Toyota Motor Credit. Judging by early indications, the Toyota issue will also be priced attractively to ensure a successful take-up, and the bonds could encounter strong demand.

For Ontario, less than the sort of \$1bn issue it is planning, Toyota might expect to pay a yield spread of around 35 basis points over the govern-

ment benchmark. To succeed in placing the largest-ever international bond issue by a corporate, however, it is expected to offer an extra 3-5 basis points, taking the yield spread to as much as 40 basis points.

Meanwhile, the Euro market saw two other unusual dollar issues yesterday: \$200m of floating-rate notes from the Swedish National Housing Corporation (SBA), and \$250m (raised from \$200m) of five-year bonds from Goldman Sachs. The floating-rate notes, yielding around 8 basis points over Libor at the reoffered price, were aimed at a market which has seen little issuance other than from banks recently. Coming from a strong double-A credit, the issue was reported to have met firm demand.

Goldman's deal, priced to yield 91 basis points over Treasuries, was its second in the international market (it had offered a 100-basis point yield spread in the first issue, last autumn).

During an active day, the Euro markets also saw a pair of competing 10-year Canadian

dollar deals, both from high-class borrowers: the Inter-American Development Bank and OKB. The former offered a yield spread of 43 basis points, the latter 38, prompting some complaints that the latter was too keenly priced. The IADB sold out quickly, while OKB

was reported to have met comfortable demand, the syndicate breaking later in the day to leave the bonds trading at around their yield spread at issue.

Finnish Export Credit came with an Ecu300m, three-year transaction, following the

spate of shorter-dated Ecu deals of recent days. The maturity was pushed beyond two years to get away from the high money market rates in Ecu, which made very short bond yields appear unattractive, the lead manager said.

## NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Province of Ontario (a)	2bn	(a)	101 1/2	2002	-	Salomon Brothers
Goldman Sachs (a)	250	7 1/4	101 1/2	1997	1 1/2%	Goldman Sachs
SBA (a)	250	(a)	101	1995	0.175-0.125 US\$	Sec. 2
Tosco (a) Chem. Ind. (a)	100	3 1/4	100	1998	2 1/4%	Deutsche Bank
Banco de Galicia B.Aires (a)	50	a	99.0253	1993	1.00	Man. Hanover
Banco de Bahia Inv. (a)	50	10	97.654	1994	1 1/4%	Bear Stearns
ECUs						
Let. Banc. San Paolo (a)	150	(a)	100	1997	0.20/0.10b (ind. B.A. of Japan)	1 1/2%
Finnish Export Credit (a)	300	9 1/4	101.0825	1995	1 1/4%	Salomon Brothers
D-MARK						
Republic of Austria (a)	1bn	8	102	2002	2 1/2%	Dresdner Bank
CANADIAN DOLLARS						
IADB (a)	300	9	101.405	2002	2 1/4%	SBC
OKB (a)	250	9	101.755	2002	2 1/4%	Crédit Suisse F&B Boston
FRENCH FRANCES						
Compagnie Bancaire (a)	600	8 1/4	99.61	1996	-	Paribas Cap.Mkts.
SWISS FRANCES						
IBM Ind. Fin. (a)	50	8	101	1994	-	SBC
GULDERNS						
Credit Lyonnais (a)	250	8 1/2	100.20	2002	1 1/2%	Credit Lyonnais Ned.
Fin. for Danish Ind. (a)	100	8 1/2	100.25	2000	-	Kreditbank

\*\*\*Private placement. (a) Convertible. (b) With equity warrants. (c) Floating rate note. (d) Final terms. (e) Non-callable. (f) Coupon pays 3 month Libor plus 0.25%. (g) Non-callable. (h) Coupon pays 6 month Libor plus 0.25%. (i) Non-callable. (j) Coupon payable semi-annually. (k) Non-callable. (l) Fungible with existing FF100m issue. (m) Non-callable. (n) To be priced 20/5/92. (o) Indicated yield spread: 64-66bp. (p) Promissory note issue. (q) Non-callable.

## Investors expect steady flow of share offers from France

By Sara Webb

INTERNATIONAL equity investors expect to see a steady flow of global share offerings from France following last week's surprise announcement that the French government plans to raise FF83bn from selling its 19 per cent stake in Total, the French oil group.

Analysts predict the French government may raise up to FF150bn this year and a further FF200bn-FF300bn from partial privatisations in 1993.

## INTERNATIONAL EQUITY ISSUES

depending on which party wins the general election. Given the large size of the deals, the government may need to raise up to 25 per cent of the total from international investors.

Ms Sophie Blampain, French analyst at Shearson Lehman Brothers, says attention will focus initially on Total's equity offering, adding that if this is well-received and takes place soon, it could pave the way for another privatisation later this year.

No date has been given for the Total offering, which is the biggest of the partial privatisations so far, although market participants expect it to take place within the next two months, probably in June. Ms Blampain believes the international tranche could represent up to 25 per cent of the issue.

The state has already raised FF12bn from the sale of its 2.3 per cent stake in the oil group Elf Aquitaine, and is expected to sell shares in the Caisse Nat-

ionale de Prevoyance (CNF), a life insurance company, raising an estimated FF2bn.

Ms Blampain points out that the state is likely to sell shares in companies which have completed their restructuring. She believes the next candidate for partial privatisation is likely to be either Rhone Poulenc, the chemicals and pharmaceuticals group, or Pechiney, the state-owned aluminium producer.

Shearson Lehman forecast that if the Conservative Party wins the general election next year, it would probably introduce a large-scale privatisation programme, raising about FF300bn a year thereafter - equivalent to 0.8 per cent of GDP. Most of the proceeds would be used to repay government debt or reduce its net issuance.

Recent opinion polls and the results of the regional elections earlier this year have suggested that the ruling Socialist Party is unlikely to form the government.

● Reliance, the Indian petrochemical group controlled by the Ambani family, looks set to push ahead with its international equity offering, despite the recent financial scandal in India which has hit stock prices on the local stock market.

Morgan Stanley, lead manager for the \$100m equity issue, said pricing is expected to take place "within the next few days" provided market conditions were favourable.

The deal, which marks the first time an Indian private sector company has issued an international share offering, is to help finance a gas crack-

## Treasuries advance on 17% fall in April housing starts

By Patrick Harverson  
in New York and Simon  
London in London

US TREASURY prices firmed across the board yesterday after a large decline in April housing starts fuelled hopes of an interest rate cut.

In late trading, the benchmark 30-year government bond was up 1/8 at 102 1/2, yielding 7.785 per cent. The two-year note was also higher, up 1/4 at 100 1/2, yielding 4.930 per cent.

The market reacted instantly to news from the Commerce Department that housing starts fell 17 per cent in April, a decline that was almost three times analysts' forecasts.

The figures sparked speculation that the Federal Reserve's policy-making Open Market Committee, which met yesterday, would react with a cut in interest rates to stimulate the sluggish economic recovery.

Although monetary policy remained on hold, there were expectations that the Fed would act soon. But some analysts cautioned the sharp drop

in housing starts last month was primarily due to an unfavourable comparison with unsustainably high levels recorded earlier this year.

■ GERMAN government bonds fell slightly following substantial gains on Monday, with trading nervous before the release of money supply data which could determine the future direction of interest rates.

The benchmark 8 per cent Unity bond maturing 2002 closed at 100.21-23 for a yield of 7.96 per cent, little changed from Monday's closing level but below the high of the day.

The June bund futures contract on Liffe, the London futures and options exchange, closed at 87.45, down from an opening level of 87.56 and well below the high of 87.63. Volume was sluggish at 30,000 contracts against Monday's 80,000.

Money supply data for April could be released any time from today and is one of the key economic indicators watched by the Bundesbank.

## GOVERNMENT BONDS

The council of the central bank holds a regular bi-weekly meeting tomorrow.

Yesterday, construction industry employers and unions agreed a 5.8 per cent pay increase, plus improved conditions of service. The settlement follows a similar deal between engineering employers and unions agreed on Monday.

■ UK government bond prices were stable to slightly weaker yesterday, but with few investors or dealers taking positions before the retail sales data for April expected today.

The benchmark 9 per cent gilt maturing 2011 closed at 100 1/2, close to the opening level, for a yield of 8.9 per cent.

The June gilt futures contract on Liffe closed at 99.06, just down from the opening level of 99.08 and below the day's high of 99.11. Volume was 15,000 contracts, well down

from Monday.

The market was encouraged by figures which showed the public sector borrowing requirement at £3.6bn in April, against market expectations of closer to £4bn. This suggested that government finances are not deteriorating as quickly as some analysts had predicted.

Official data also suggested that the UK economy is slowly starting to pull out of recession. Manufacturing output rose by 0.1 per cent during March, although the annual rate of growth remained negative, at minus 1.2 per cent.

However, retail sales figures due for release today could give a better indication of the post-election performance of the economy.

■ JAPANESE government bond prices continued to trade with a firmer tone overnight in Tokyo, supported by the buoyancy of share prices and the strength of the yen on the foreign exchange markets.

## BENCHMARK GOVERNMENT BONDS

Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
10.000	10/02	106.1648	+0.616	8.07	8.24	8.71
8.000	05/01	101.2590	-0.050	8.79	8.79	8.75
6.500	04/02	100.9000	+0.900	8.57	8.50	8.70
6.000	11/00	101.1000	-0.300	8.78	8.77	8.78
8.000	03/97	98.0404	-0.75	8.73	8.73	8.76
8.000	11/02	98.0500	-0.050	8.53	8.58	8.63
6.000	01/02	100.1700	-0.050	7.98	7.97	7.92
12.000	02/02	98.9900	+0.080	12.54	12.89	12.67
4.800	09/99	98.5804	+1.322	5.47	5.84	5.83
4.400	03/00	105.1300	+0.114	5.47	5.65	5.61
8.250	02/02	98.4800	+0.020	8.31	8.26	8.26
11.200	01/02	102.8900	-0.080	10.82	10.86	10.74
10.000	11/98	103.51	+0.32	8.15	8.25	8.23
8.750	08/02	104.22	-1.25	8.04	8.16	8.14
8.000	10/03	100.24	-1.32	8.51	8.04	8.03
7.500	11/01	102.06	+1.822	7.8	7.25	7.42
6.000	11/21	102.84	+21.62	7.75	7.85	7.82
6.500	03/02	98.3500	-0.200	8.59	8.63	8.58

ECU (French Govt) 6.500 03/02 98.3500 -0.200 8.59 8.63 8.58

London closing. \*New York closing. †Yields: Local market standard 1 Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)

Prices: US, UK in \$2nds, others in decimal. Technical Data/ATLAS Price Source

The benchmark 10-year bond issue No 129 closed in Tokyo on a yield of 5.48 per cent, from 5.515 per cent on Monday.

The yen held on to Monday's gains on the foreign exchange markets, moving in a tight range against the dollar

between ¥129.25 and ¥128.25 in Asian trading. By late afternoon in London, the Japanese currency stood at ¥129.00.

The Nikkei 225 stock market index closed up 311 points on the day at 18,754, following a 368 point rise on Monday.

## American Express in SEC filing

AMERICAN EXPRESS Receivables Financing has filed with the US Securities and Exchange Commission to securitise certain of its credit card receivables.

Reuters reports from New York.

The deal will be the first by the company, part of the American Express group.

American Express said its Lehman Bros brokerage unit would serve as underwriter for any securitisation transaction.

Revolving credit receivables excluded from the proposed deal are American Express Optima credit card, an American Express spokeswoman said.

**ROTHSCHILD INTERNATIONAL MONEY FUNDS**



**Investing in currency — worldwide**

With assets of over US\$1 billion it is no surprise that corporate and private investors are showing a lot of interest in our International Money Funds. As world leaders in the management of international currency funds, Rothschilds offer you the opportunity to earn wholesale interest rates on sterling and seventeen other currencies. There is no minimum investment and funds can be withdrawn at short notice.

Either call us on +44 481 713713 or fill in the form for further details and an application form.

To: Investment Marketing Department, Rothschild Asset Management (C.I.) Limited, P.O. Box 242, St. Julian's Court, St. Peter Port, Guernsey, G.I.

Name \_\_\_\_\_

Address \_\_\_\_\_

AFR121

**ROTHSCHILD ASSET MANAGEMENT**

The Rothschild Money Funds are Guernsey A1 authorised and UK Recognised Collective Investment Schemes. The return on all currencies and the value of your investment will fluctuate in line with international interest and exchange rates.

**Ferrier Lullin & Cie SA**

Bank established in 1795 - Geneva

Two Centuries of Private Banking

Key Data	1990	1991	% Change
In SF. m			
Net Revenues	60.5	66.6	10
Cash Flow	16.4	18.4	12
Net Income	12.8	14.1	10
Dividends	7.2	7.2	-
Total Assets	359.5	387.0	8
Capital and Reserves	103.1	109.7	6
Staff	239	221	-8

The Bank's operational results for fiscal 1991 were up by roughly 10% over the previous year. Although revenues fell short of projections, our situation improved as regards operating expenses and client assets. Total deposits grew by over 15%, chiefly fueled by good portfolio performance. Allowing for the further reduction in our staff, aggregate client assets per employee rose 25%. This enhanced efficiency is obviously the fruit of our relentless efforts to rationalise, as well as of the capital spending we have undertaken for this purpose in recent years.

Geneva-Luxembourg-Bahamas  
Grand Cayman-Hong Kong-Singapore

15, rue Pictet Case postale CH-1211 Genève 11 Tel. 022/708.38.38

**Any time any place any share.**

Instant access to UK prices from anywhere in the world.

Whether you're doing business in Berlin or hatching deals in Hong Kong, FT Cityline International can link you with real time prices from the London Stock Exchange.

One phone call is all it takes to put you in touch with:

- Over 3,500 share prices
- Over 7,000 unit trust prices
- A wide range of financial reports
- A confidential portfolio facility

FT Cityline has proved invaluable to business people and investors in the UK for years. And now it's available from anywhere in the world. Just fill in the coupon below or telephone 071-925 2331. You'll be amazed how little it costs to have instant access to this unique service.

**CITYLINE INTERNATIONAL**

**FURTHER INFORMATION**

Please send me details of FT Cityline International.

Name \_\_\_\_\_

Position \_\_\_\_\_

Organisation \_\_\_\_\_

Address \_\_\_\_\_

Post Code \_\_\_\_\_ Tel No \_\_\_\_\_

FT Cityline International, 126 Avenue Road, London, SW1Y 6LL.

**GET YOUR FT BY HAND DELIVERY IN STOCKHOLM.**

If you work in the business centres of Malmö, Lund, Stockholm or Gothenburg we'll deliver your daily copy of the FT to your office at no extra cost. Call Bradley Johnson for details (08) 666 0065.



Perrier battle ends with something for everyone

**TELECOMMUNICATIONS IN BUSINESS**

The FT proposes to publish this survey on June 18 1992. The survey will be seen by 54% of Chief Executives in Europe's largest companies. To reach this important audience with your advertisement, please contact:

Philip Dodson  
Tel: 071 873 3389  
Fax: 071 873 3062

Date source: Chief Executives in Europe 1990

**FT SURVEYS**



## COMPANY NEWS: UK

## Dowty estimates £29m in defence

By Richard Gourlay

DOWTY GROUP, the aerospace and specialist engineering company, yesterday produced a robust response to the hostile £497m bid from TI, estimating pre-tax profits for the year to the end of March 1992 of £29m.

The unaudited figure was £8.5m higher than the assumption TI made of Dowty's profits in its offer document and also £4m higher than the figure Cazenove, Dowty's brokers, had expected before the bid.

Mr Bruce Ralph, Dowty chief executive, said the 1992 profits on their own showed the 183p bid and TI's cash alternative of 175p were too low. Accusing TI of being obsessed with the past, Mr Ralph said the offer also grossly undervalued Dowty's prospects. Dowty closed 2p lower at 179p.

Dowty also drew on forecasts from the world's airframe builders to highlight an estimated £9.8bn of future sales it would make on current aircraft programmes in the next 10 to 15 years.

The higher-than-expected



Bruce Ralph: TI obsessed with the past

profits estimate arose from a restructuring that included the cutting of a fifth of the Dowty workforce - or 3,000 people - in the first nine months of the financial year. The benefits had begun to work through in the last quarter.

Initial reactions from institutional shareholders was that Dowty had at least dealt itself back into the game after letting TI make all the moves since it launched the bid almost a month ago.

However Dowty would need

to convince the City and shareholders that aerospace profits had bottomed out. It would also have to produce a vision for the aerospace division that went beyond simply enjoying the benefits of recovery in the industry in the next two years and the cost-cutting programme.

Dowty has wanted to turn its shareholders' attention away from the dire performance of last year to the more promising future. But it is unlikely to be able to produce a forecast for the year to March 1993.

Mr Christopher Lewinton, TI's chairman and chief executive, said there was nothing in the document to alter his view that TI's final offer fully valued Dowty and its prospects.

Dowty derived its £29m pre-tax profits from operating profits of £28m in aerospace, £9.5m from polymer engineering, £11m from electronic systems which analysts said suggested a very strong recovery in second half - and losses of £4m in information technology.

See Lex

## Fall in US rates check growth at Sedgwick

By Richard Lapper

SURPRISING falls in rates in the US insurance market have held back profit growth at Sedgwick, the insurance broker, which yesterday reported pre-tax profits of £41.5m for the first quarter to March 31, marginally down on the £42.5m recorded last year.

Earnings per share were 6.4p (6.6p). Operating income grew to £178m (£169m) with expenses rising to £147m (£139m), increases of 2 per cent at constant exchange rates.

Although insurance underwriting contributed £200,000 this was offset by a fall in investment income to £115.2m (£114m) and the share of profits earned by associates to £200,000 (£200,000).

Interest payable rose to £3.6m (£2.6m). A strengthening in the US dollar was worth £1.3m to the group.

Insurance rates in the London market have continued to increase but weakness in the US market, which contributes between 35 and 40 per cent to the group's turnover, has undermined growth.

Mr David Rowland, chairman, said US rates had fallen by between 12 and 15 per cent in the first quarter. "No-one was expecting a glorious upswing but that it softened again was a surprise."

Eliminating the continual pressure on the group's US expenses Mr Rowland said Sedgwick saw "no sign of any change."

## Apollo Metals falls to £711,000

Apollo Metals reported pre-tax profits of £711,000 for the six months to March 31, against £999,000. Turnover fell from £14.2m to £12m.

Dividend per share was 3.4p (4.8p). But the interim dividend is being maintained at 1.15p.

Gearing remained at less than 10 per cent. Interest payments dropped from £100,000 to £58,000.

## Yorkshire Water in engineering joint venture with Babcock

By Peggy Hollinger

YORKSHIRE WATER and Babcock International yesterday unveiled a joint venture aimed at tackling engineering opportunities in the rapidly-changing global water industry.

The move marks a further step in the diversification programme of the recently-privatised water companies. Until now, many have largely concentrated on diversifying into waste management.

Babcock International will pay Yorkshire Water £5m for 50 per cent of the new company, to be called Babcock Water Engineering.

BWE will comprise Yorkshire's engineering subsidiary - employing 400 engineers and support staff - and about 20 Babcock employees. The chairman will be Mr Eric Masell, who joined Babcock last year to advise on opportu-

nities in the water sector.

Initially, the company will rely on business supplied by Yorkshire Water, which currently feeds about 70 per cent of its £300m per annum capital spending through its engineering subsidiary, Yorkshire Enterprises. Sir Gordon Jones, chairman of Yorkshire, said that the venture would retain the orders only if competitive. "They will have to fight for business," he said.

Yorkshire's current capital spending programme is expected to benefit BWE for three years. By 1995, the company is forecast to have about 20 per cent of its business from customers other than Yorkshire.

Sir Gordon said his company's engineering subsidiary would benefit from Babcock's international exposure and marketing experience. There were several other markets which were moving towards

privatisation - such as North America, Australia and eastern Europe - where Yorkshire's expertise in the water sector could be put to good use.

The deal also pushes forward the company's programme to achieve 10 per cent of group profits from non-regulatory businesses within five years of privatisation. "The non-regulated businesses will grow," Sir Gordon said. "The regulated side will only ever get more regulated."

Analysts cautioned against too much optimism, however, saying the venture was only a drop in the bucket of Yorkshire Water's total business. Based on company estimates that the joint venture might achieve sales of £200m in five years, profits would be about £10m compared with a forecast £185m for the group as a whole by 1997.

See Lex

## Kunick drops to £5.9m loss

By Peggy Hollinger

KUNICK, the amusement machine and nursing homes group, plunged into the red in the first half as £5.2m in property write-downs and restructuring charges wiped out depressed trading profits.

Pre-tax losses, after the exceptional charges, came to £5.9m for the six months to March 31, compared with a profit of £5.2m last time. Turnover rose marginally to £58m.

Mr Christopher Burnard, who is replacing Mr Russell Smith as chairman, said the bulk of losses occurred in the amusement machine operation, where the UK market declined by about 15 per cent. Operating profits fell from £4.7m to £200,000.

The nursing care side reported a 50 per cent increase in operating profits to £1.2m. Debt of £45m represented 64 per cent of shareholders' funds. There is no interim dividend.

● COMMENT  
The company has been left well and truly reeling by the triple whammy of recession, firm machine stake increases and fewer pubs following the

intervention of the Monopolies and Mergers Commission. So much so, that Kunick has even had to offer the brewers a hefty £5.5m up front to allow its machines through the door and preserve some sort of steady, longer-term business.

Whether it can survive the impact of recent trials depends on several factors: property disposals, rapid cost-cutting, and the long-awaited economic upturn. The market appears to be pessimistic and the shares - which were 39p in September - fell 3p last night to close at 64p. Certainly, the fact that analysts are betting on Kunick having to negotiate new interest covenants with bankers does not offer comfort. Forecasts are for losses of about £4.8m after the exceptional.

## DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Allied-Lyons	13.35	July 31	12.54	25.89	18.81
Anglo Irish Bank	1.364p	July 10	1.36	2.728	3.36
Apollo Metals	1.15	July 10	1.15	2.3	3.45
BOC Group	1.1	Aug 3	10.2	11.3	21.342
British Airways	7.24	July 24	6.05	13.29	8.55
Capital Radio	1.75	July 17	1.75	3.5	5.25
Concentric	3.54	July 6	3.54	7.08	11.17
Countryside Prop	1.41	Sept 3	1.41	2.82	4.11
Hospital Corp	nil	July 1	0.1	0.1	0.111
IAMS	1.6	July 16	1.6	3.2	2
Jarvis Invest	1.5	July 1	1.5	3	1.5
Kunick	nil	July 1	0.8	0.8	1.4
Leeds Group	3.57	July 1	3	6.57	3.75
Reedcut	2.81	July 6	2.81	5.62	3.44
Stratton Int'l	2.25	July 22	2.15	4.4	1.38
Tennant Group	2.25	July 22	2.15	4.4	5.35
Young (H) Higgs	2	July 17	2	4	6

Dividends shown pence per share net except where otherwise stated. For increased capital: £15M stock. For 15 months. Includes special 0.14p. Irish currency.

## Customers likely to stay with enlarged bank

By John Authers

LLOYDS BANK would not expect to lose a significant proportion of Midland Bank's customer base if its proposed takeover was successful, Mr Brian Pittman, the bank's chief executive, said yesterday.

He pointed to the recent merger of ABN and Amro, the Dutch banks, where he said a tiny percentage of customers had deserted the new bank, and to the sale by Midland of Crocker Bank to Wells Fargo. "There was a fear that they would lose many customers, but they didn't," he said.

However, he did not follow up the commitment Lloyds made last week to provide support for small businesses with any equivalent promise for private customers.

He said the bank may make further commitments to private customers, and promised that integration of products would involve keeping the better product provided by the two banks in each case. But he declined to comment



further on what Lloyds might offer.

He said integration of the banks' products, including changes to cheque books and charge cards, could start "quite quickly" after the passing of the act of parliament which would be needed before the merger could go through.

Until this happened, Midland Bank would operate as a subsidiary of Lloyds, and its products would remain unchanged. He predicted that the process would start by the end of 1993.

The Bank of England has now been given formal permission for Hongkong and Shanghai Banking Corporation to buy Midland Bank, having already given the banks guidance that such a deal would be allowed, writes Robert Peston.

Having been given this permission, Hongkong Bank now has the right to buy Midland shares in the stock market to add to its existing 15 per cent stake. However, it is understood that Hongkong Bank is reluctant to exercise this right for the time being.

Midland has suggested that product integration would be a difficult process.

Lloyds also revealed a few extra details about the mechanics of the changes it would make to the new combined bank's product range.

● Midland's range of credit cards, including the "affinity" cards which at present do not carry an annual charge, would be maintained.

● Firstdirect, Midland's telephone banking subsidiary, would be expanded.

● Midland Life, Midland's life

assurance company, would continue to operate separately thanks to the difficulties involved in merging life companies, although Lloyds would look to extend its successful Black Horse Life range of products to existing Midland customers.

Mr Pittman said that the transition would be made "as smooth as possible" for both Lloyds and Midland customers, and remained very optimistic that this could be achieved, despite the doubts of some observers.

## "During the year Allied-Lyons has taken a number of strategic decisions which lay a good foundation for future success."

*Michael Joshua*

(Extracts from the Chairman's Statement)

Pre Tax Profit (Before taking property profits to extraordinary)		Earnings per Share (Excluding property disposal profits)		Dividends per Share	
1991/92	1990/91	1991/92	1990/91	1991/92	1990/91
£641m	£623m	41.0p	40.5p	20.0p	18.81p
Up 2.9%		Up 1.2%		Up 6.3%	

53 weeks to 7 March 1992.

"In spite of recession in most of our major markets, pre tax profits, before taking property profits to extraordinary, increased"

"We have achieved these results whilst also embarking on a long-term process of progressive change"

"Our commitment to build leadership positions led to the exciting joint venture with Carlsberg which can help us gain an enhanced position in UK brewing."

"We wish to extend Allied-Lyons' international trading activities from the base provided by our strong positions in the UK and North America. Joint ventures are of great significance. We strengthened our ties with Domecq, important to the building of our business in Spain, Mexico and South America. Our joint venture with Suntory goes from strength to strength both in the Japanese spirits market and through growing co-operation in other areas."

"We will continue to build up the company's international trading strengths. Allied-Lyons will be well placed to benefit from any economic upturn."



## LEGAL NOTICES

Company No 285463, Registered in England and Wales  
BANK OF ENGLAND LIMITED  
Principal place of business: Strand, London, WC2A 2DP  
NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Companies Act 1985, that a meeting of the shareholders of the above-named company will be held at the Bank of England, 1, Abchurch Lane, London, EC4A 3DF, on Thursday 28 May 1992 at 10.30am for the purpose of having laid before it a copy of the report prepared by the Administrative Receiver under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to consider the matters referred to in the report.

Company No 210465, Registered in England and Wales  
RESOURCES LIMITED  
Principal place of business: Strand, London, WC2A 2DP  
NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Companies Act 1985, that a meeting of the shareholders of the above-named company will be held at the Bank of England, 1, Abchurch Lane, London, EC4A 3DF, on Thursday 28 May 1992 at 10.30am for the purpose of having laid before it a copy of the report prepared by the Administrative Receiver under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to consider the matters referred to in the report.

Company No 210465, Registered in England and Wales  
RESOURCES LIMITED  
Principal place of business: Strand, London, WC2A 2DP  
NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Companies Act 1985, that a meeting of the shareholders of the above-named company will be held at the Bank of England, 1, Abchurch Lane, London, EC4A 3DF, on Thursday 28 May 1992 at 10.30am for the purpose of having laid before it a copy of the report prepared by the Administrative Receiver under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to consider the matters referred to in the report.

## PERSONAL

PUBLIC SPEAKING training and speechwriting by award winning speaker First lesson 100. 10p (1077) 81112

## COMMERCIAL PROPERTY

Appears every Friday in the Financial Times. For details of our 1992 advertising rates and future surveys, please contact:- PETER SHIELD on 071 873 3284 or by fax on 071 873 3064.

## FINANCIAL TIMES CONFERENCES

## INVESTMENT OPPORTUNITIES IN SWEDEN

1 July 1992, London

This one-day conference will examine Sweden's economic and financial reforms, its privatisation programme and assess the opportunities for foreign investment.

Speakers include:

**Mr Per Westerberg**  
Minister of Industry and Commerce, Sweden

**Mr Rune Andersson**  
Chairman of the Board  
Swedish Steel AB (SSAB)

**Mr Urban Bäckström**  
Under Secretary  
Ministry of Finance, Sweden

**Mr Herman C van der Wyck**  
Chairman  
S G Warburg & Co Ltd

**Dr Peter Wallenberg**  
Chairman, Investor AB  
First Deputy Chairman  
Skandinaviska Enskilda Banken

**Mr Nils Lundgren**  
Chief Economist  
Nordbanken

**Mr Win Bischoff**  
Chairman  
J Henry Schroder Wagg & Co Limited

**Mr Brian Knox**  
Adviser  
Kleinwort Benson Limited



For information please return this advertisement, together with your business card, to:

**Financial Times Conference Organisation**  
126 Jermyn Street, London SW1Y 4UJ, UK  
Telephone: 071-925 2323  
Telex: 27347 FTCONF G Fax: 071-925 2125 HB

## COMPANY NEWS: UK

# Cost containment helps BOC advance to £163m

By Paul Abrahams

BOC, the UK industrial gases and healthcare concern, yesterday reported pre-tax profits up 13 per cent from £144.7m to £162.7m for the six months to March 31.

The company said most markets had failed to show tangible signs of a recovery and warned that hitherto buoyant areas such as Japan were experiencing a slow-down in growth rates. Earnings per share increased 11 per cent from 19.14p to £1.20.

Most of the improvement had been through cost-containment. Currency gains accounted for £4m of operating profits, according to Mr Ian Clubb, finance director. He said without them, pre-tax profits would have increased 9 per cent.

"We feel comfortable with the results," said Mr Clubb. "If the much talked-about upturn

in the world economy takes place, the company will be well-placed to take advantage of it."

The gases businesses experienced mixed fortunes as operating profits increased 6 per cent from £138m to £144.5m on turnover of £1,011m (£982.5m).

Mr Clubb said demand for liquefied gases for general purpose use had increased in the UK and US by about 4 to 5 per cent over the past few months compared with last year.

However, sales of compressed gases, used for welding and cutting, had not picked up. Sales of piped gases for bulk users had also remained flat. The plant design and construction businesses had experienced a fall in demand.

Operating profits at the healthcare division increased 22 per cent from £40.7m to £49.8m on turnover of £291m (£268.8m).

Mr Clubb said rationalisation

at Glasrock, the home health care operation, meant it was only two-thirds of its previous size, but that it was now showing a modest profit. The US pharmaceuticals operations performed particularly well.

The vacuum technology and distribution services operations' operating profits were severely affected by the recession, falling from £12.6m last year to £8.8m on turnover of £131.5m (£125m).

Results at the distribution services business improved their results and all of the fall was due to the vacuum side of the operations. Mr Clubb said sales of pumps for the semiconductor industry had been suffering from a freeze on capital expenditure.

A second interim dividend of 11p was declared, representing an increase of 5 per cent in the annual dividend.

BOC's shares fell 15p to 703p on profit-taking.



Pat Rich (left), BOC's chairman, and Ian Clubb

## Conservative accounting leaves HCI with £21.4m loss

By Peter Pearce

HOSPITAL Corporation International Group, has reported pre-tax losses of £21.4m for the nine months to December 31. The company was created in January when Hospital Corporation International of the US reversed into Bioplan Holdings, the UK healthcare group.

Operating losses of £2.8m were swelled by £16.8m of exceptional charges, derived mainly from the new management's adoption of a more con-

servative approach to Bioplan's accounting policies.

The write-downs on overall property asset values went deeper than had been anticipated at the time of the merger and the capitalised interest and capitalised overheads have been reversed out. Restated pre-tax losses for the 15 months to March 31 1991 were £113,000.

Mr Dennis Sokol, chief executive since the merger and chairman since February, said that Bioplan's evaluations of its hospitals were overstated.

In spite of its £22.8m rights issue in

May 1991, raised to fund the hospital building programmes, the group ran into "considerable financial difficulties" in the latter half of 1991. Its shares were suspended at 44p in November. They closed at 15½p yesterday, down ¼p.

Mr Sokol said that HCI Group was "now a real company, rather than a development business". He has restructured the board, bringing in Mr James Mills-Webb, formerly finance director at AMI Healthcare, as finance director, and Mr Anthony Bryan, Sir David Rowe-Ham and Sir Ronald Grierson, as

non-executives.

Mr Sokol said the company was in partnership with the NHS in 70 per cent of its hospitals and that it now had 37 per cent more beds, on an annualised basis, than last time, though he conceded that occupancy needed building.

Turnover in the nine months totalled £11.1m (£16.3m for 15 months). An extraordinary charge of £1.26m related to losses on the sale of Bioplan's furniture business. This led to losses for the period of £22.7m (£1.47m). Losses per share emerged at 54.9p (earnings 4.6p).

## Arjo Wiggins chairman quizzed over Walls' sacking

By Paul Abrahams

A DEFENSIVE Mr Cob Stenham, chairman of Arjo Wiggins, yesterday repeatedly asked at the annual general meeting to explain last week's sacking of Mr Stephen Walls, the group's chief executive.

In a pre-prepared speech to shareholders, Mr Stenham gave no reasons for Mr Walls' departure. However, on four

separate occasions he was subsequently asked by shareholders for an explanation.

Mr Stenham, sitting next to Mr Walls, denied an acquisition had been responsible for the differences between the board and its chief executive.

He also insisted Mr Walls' departure did not signify a change of strategy.

The company was still aiming to become the world's leading manufacturer of high-value paper and become the sector's

most profitable group.

There was no conflict of interest between minority shareholders and other shareholders, said Mr Stenham. The group would be run in the interest of all shareholders. Worms et Cie, the French financial company, indirectly owns 39 per cent of AWA.

Mr Nicholas Clive Worms, a non-executive director, said AWA was looking consistently at opportunities, in particular the northern countries, such as

the Netherlands, Germany and southern Europe. However, a number of these were involved in joint ventures dealing in newspaper and pulp. They were areas AWA did not want to participate in. He said AWA still needed to consolidate, particularly in the area of carbonless paper in Europe.

Mr Stenham said he was looking at possible replacements for Mr Walls. They included one internal candidate.

A special resolution to allow the company to buy up to 80m of its own shares, equivalent to 10 per cent of all shares, was passed.

Mr Stenham denied this was part of a devious scheme to increase the proportion of shares owned by the French minority shareholders.

Mr Walls remained quiet for most of the meeting, but answered questions on women employees and the environment.

### CREDIT & CHARGE CARDS

The FT proposes to publish this survey on June 8 1992.

In addition to the Financial Times excellent profile against cardholders, the Survey will also be seen by 40% of Board Directors in the UK whose main responsibility is Finance and Accounting. If you want to reach this important audience, call Alicia Andrews on 071 873 3565 or fax 071 873 3062.

Data source: BANC Business Survey 1990

FT SURVEYS

### THE THARSIS PUBLIC LIMITED COMPANY

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of THE THARSIS PUBLIC LIMITED COMPANY will be held at Murex de Balcon 120 Madrid 28006 on Friday, 12th June, 1992 at 12 noon for the following purposes:

1. To consider and adopt the Report of the Directors and the Accounts for the year ended 31st December 1991 with the Report of the Auditors thereon (Resolution No. 1)

2. To re-appoint Directors (Resolution Nos. 2-5)

3. To re-appoint the Auditors and to authorise the Directors to determine the remuneration of the Auditors (Resolution No. 6)

By order of the Board  
R.N. PETERS, Secretary

Registered Office:  
136 West George Street,  
GLASGOW G2 2HF  
20th May, 1992

NOTES  
1. Any member of the Company entitled to attend and vote at the Annual General Meeting convened by the foregoing Notice is entitled to appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a Member of the Company. To be effective, proxies must be deposited at the Bank of Scotland, Registrar Department, 25a York Place, Edinburgh, not less than 48 hours before the time appointed for the meeting.

2. Holders of Share Warrants to Bearer who wish to be present at the Meeting or vote by proxy may obtain instructions from the Registered Office of the Company or from the following authorised agents:

Lazard Freres et Cie, 121 Boulevard Haussmann Paris 8e;  
Banque Paribas de Commerce de Paris, 52 Avenue Haussmann, Paris 8e;  
Banque de Paris et des Pays-Bas, 3 rue d'Anin, Paris, 2e;  
Credit Suisse, Lausanne, Switzerland;  
Lloyds Bank (Belgium) S.A., 2 Avenue de la Woluwe, Brussels 1040;  
Banque Generale du Luxembourg S.A., 14 rue Alvinger, Luxembourg.

3. There are no contracts of service between the Directors and the Company at the date of this notice.

## TOTAL Annual General Meetings of June 2, 1992

### Notice to Shareholders

Further to the notice published in the Financial Times on May 12, 1992 of the Annual and Extraordinary Shareholders Meetings of TOTAL to be held on June 2, 1992 at CNIT La Defense, Goethe Amphitheater, 2 Place La Defense, 92053 Paris La Defense, France, TOTAL shareholders are hereby informed that an additional item is to be added to the agenda of the Extraordinary General Meeting.

This item will concern an amendment of the Bylaws as a result of application to the assignment of State-held shares of the principles and provisions applicable to the assignment of subscription rights by the French State and approval of letters of interpretation exchange with the French State.

The following press releases have been issued on May 15, 1992 by TOTAL on the one hand and by the French Government on the other hand.

### 1. Amendments to the bylaws of TOTAL in relation to the planned decrease of the French State Participation

The French Government has announced its decision to reduce to 15% the participation of 34% controlled by the State in the public company TOTAL through the sale of stock on the financial markets.

The legal analysis of the 1924 and 1930 Conventions between TOTAL and the French State has concluded that although there is no obstacle to a sale to parties other than French State related shareholders, it is nevertheless appropriate to modify the Bylaws in order to specify the terms and conditions of implementation.

The updating of Bylaws is contained in a proposed resolution which has been approved by a Board of Directors' meeting on May 15, 1992 and which will be submitted at the June 2, 1992 Extraordinary General Meeting.

The Board of TOTAL has agreed in principle to an exchange of TOTAL petroleum certificates issued by the State for TOTAL shares.

### 2. Press release issued by the French Government on May 15, 1992

"The French Government has decided to reduce to 15% the participation directly and indirectly controlled by the State in the public company TOTAL, down from the present level of 34%. The French State will retain a direct participation of 5%.

This significant decrease of the French State ownership is justified by changes in the oil industry environment. This is today substantially different from the environment prevailing in the 1920's, when the French State took a significant stake in TOTAL's share capital. There exists today in France two major oil companies with strong worldwide activities, one State-controlled and the other one not.

The reduction of the French State participation in TOTAL will be achieved through the sale of stock on the financial markets at a date to be decided later, according to stock market conditions.

In this perspective, the Board of TOTAL, at the request of the Directors representing the French State, has decided to propose an amendment to the Bylaws of the company at the Extraordinary General Meeting on June 2, 1992, with a view to permit the sale of shares held by the French State to private investors.

Further to this sale, the French State will relinquish its 5% supplemental voting rights to which it is entitled under the terms of the 1924 and 1930 Conventions between TOTAL and the French State.

The provisions of the present Conventions will be adapted to this new situation within the scope of French energy policy.

The French State has also decided to proceed with an exchange of the TOTAL petroleum certificates (certificats petroliers) issued by the State, for TOTAL shares, with a ratio of 4 petroleum certificates to 3 shares. This exchange which will concern approximately 7% of TOTAL's share capital, will be realized after the amendment of the company Bylaws by the Extraordinary General Meeting. It will be implemented through a public exchange offer following French Stock Exchange regulations. The Board of TOTAL has given its agreement in principle to this transaction.

The above actions will preserve TOTAL's contribution to French energy independence and security of supply, while favouring TOTAL's development and its industrial growth."



## COMPANY NEWS: UK

## Rationalisation helps Readicut

By Angus Foster

READICUT International, the household textile, carpeting and yarn company, weathered recession in its main markets to report profits at the top end of market expectations.

The company announced a 11.6 per cent increase in pre-tax profits to £13.5m in the year to March 31, despite a fall in turnover to £220m (£226m).

Professor Sir Roland Smith, chairman, said tight cost controls introduced in the last two years led to a "quite remarkably profitable performance".

The workforce was cut by 5 per cent in the UK, with additional cuts in the US and the Netherlands, at a cost of £609,000. This follows an 11 per cent cut in the previous year.

Mr Clive Shaw, managing director, said the UK's recession had bottomed out and the US was improving. But continental Europe remained depressed - "1992 is going to be tough there", he said.

Interest costs fell steeply to £2.67m (£3.54m) due to lower



Sir Roland Smith: tight cost controls in last two years

interest rates and reduced net borrowings of £11.5m (£12.8m), equal to 19 per cent of shareholders' funds (21 per cent).

Earnings improved to 4.79p (4.25p). The company is recommending a maintained final

dividend of 2.81p to make an unchanged total of 3.44p. Dividend cover improved from 1.2 times to 1.4 times.

There was an extraordinary charge of £1.37m due to Fifth Furnishing's withdrawal from

seating fabrics. The division returned to profit during the period and will begin manufacturing for Ford in Belgium and Honda in the UK.

Readicut's shares were unchanged at 85p.

## COMMENT

Readicut's results were well received by the market, which is beginning to see the benefits of the last two years of rationalisation come through. Fifth Furnishing's performance and Fifth Carpets improved profits, were also pleasing given their respective exposure to the depressed car and retailing sectors.

But the company's gloomy forecasts for Europe, and the likelihood of no great improvement in the UK, suggests a return to late 1980s levels of profitability remains elusive. Forecast profits of £15m put the shares on about 15 times, which is below the sector average. Despite a strong run over the last 12 months, the shares can go higher if there are sustained signs of recovery on the high street.

## Concentric rises 74% and calls for £12.5m

By Nigel Clark

CONCENTRIC, the West Midlands-based maker of automotive and industrial controls, is raising £12.5m net of expenses in a rights issue to fund investment.

The company also announced a 74 per cent increase in interim pre-tax profits from £2.02m to £3.52m on turnover down at £58.7m (£61.2m). The company said the progress made to recover margins was encouraging and the improvement was expected to continue in the present period.

The company is issuing 4.5m shares on a 1-for-5 basis at 285p in the fully-underwritten rights. The share closed 15p higher at 355p.

The proceeds are earmarked for increasing output in the moulded plastic components business and the metal pressing and fabrication business as well as the US offshoot. Funds will also be used to address environmental problems at its iron foundry.

The fall in turnover resulted from a decline in the world price of aluminium, the erratic demand for satellite dishes and the generally flat demand for the group's other products, the directors said.

Many of last year's problems at Concentric Pumps were said to be behind it and Concentric Controls, which had undergone a considerable reorganisation, was trading profitably after a number of difficult years.

In December Yorkshire Moulds moved into a new factory with twice the previous capacity.

After tax of £1.09m (£827,000) earnings per share came out at 10.77p (6.19p). The interim dividend is unchanged at 8.54p and the company expects the final dividend to be at least maintained at 7.63p.

## ICS's £15m share placement is 'comfortably oversubscribed'

By Neil Buckley

INTERNATIONAL Control Services, the electronic safety systems manufacturer which is seeking a full listing on the London stock market, said yesterday its £15m share placement had been "comfortably oversubscribed".

At the placing price of 110p, the company will have a market capitalisation of £43.9m. Dealing will start on Thursday, May 28.

ICS Group claims around 12 per cent of its targeted market for safety systems for the oil, gas and petrochemical industry.

Worldwide, the safety market is estimated at around \$750m, and expected to grow by up to 12 per cent a year in the next three years.

The company made pre-tax profits of £3.6m for the year to May 1991, on turnover of £31.4m.

This year the directors forecast profits before tax of at least £4.5m, putting earnings

per share at not less than 8.5p.

Founded in 1966 as a maker of electronic alarm systems for industry, the company was quick to spot the potential in the North Sea market, and in the words of chief executive Mr Peter Hall has "grown up together with the North Sea fields".

It was, however, tougher safety requirements in the North Sea in the wake of the Piper Alpha disaster, enshrined in the Offshore Safety Act, that led to a four-fold growth in profits in the past four years. The group has built up a client network including BP, Shell, British Gas, Agip, Total, and Chevron.

The company specialises in integrated safety and control systems for industrial processes which detect hazards, and automatically take corrective action, including shut-down where necessary.

While considerable retrofitting work remains in the North Sea fields, with the provision of safety systems for the new

generation of highly-automated offshore platforms, the company is looking for growth in the overseas market, which already accounts for around 30 per cent of turnover.

"The North Sea, and the kind of systems we have developed there, are setting the standards for the rest of the world," Mr Hall said.

ICS is already working in Saudi Arabia, where an extensive retrofit programme is under way, and in Kuwait. It has also supplied Singapore, Indonesia and Korea, and has four overseas sales offices.

The placing will raise around £6.6m, net of expenses, to be used to reduce current bank borrowings - leaving the company with gearing at around 35-30 per cent - to repay a £1m loan from 31, and to redeem certain preference shares held by 31, the venture capital group.

The directors will control 53.8 per cent of the enlarged share capital; 31 will control 11.99 per cent.

## Corporate Services falls into £2.13m loss

By Angus Foster

Corporate Services Group, USM-quoted recruitment company, announced a pre-tax loss of £2.13m in 1991, against a £813,000 profit in the previous nine months. The fall was due to restructuring costs and losses in discontinued businesses.

Turnover increased to £23.2m (£10.9m). Following the company's switch from energy to employment services, completed in 1990, CSG said the two periods were not directly comparable.

The core employment services division expanded last year through acquisitions and reported operating profits of £20,000 (£21,000) on turnover of £20.5m (£11.1m).

Losses per share came out at 9.2p (earnings 4.5p).

## £0.5m exceptional charge checks advance at Anglo Irish Bank

By Tim Cooney in Dublin

AN EXCEPTIONAL charge of £500,000 relating to the aborted purchase of Hill Samuel Bank's subsidiary in Ireland, has held down profits at Anglo Irish Bank Corporation, which published its results yesterday for the six months to March 31.

Pre-tax profits for the period were virtually static at £2.25m (£2.96m sterling). Earnings per share declined to 2.69p (3.33p) due to the exceptional item and the 1-for-1 rights issue last January. The issue was 92 per cent subscribed.

Mr Gerry Murphy, chairman, said "these results are highly satisfactory in what is a tough banking climate worldwide. Our advances are up 30 per cent and deposits up 24 per

cent... We have continued to reduce our emphasis on leasing and we have regrouped into two new divisions, corporate banking and retail banking. Results in Ireland are well ahead of targets".

Negotiations over the purchase of Hill Samuel Bank broke down last month after failure to agree on a cash price for the merchant bank. It has total assets in excess of £500m. Anglo Irish Bank's total assets are £831m. Mr Murphy said the decision to withdraw from the Hill Samuel deal "shows our determination to only make acquisitions at the right price for our shareholders".

The family interests of Mr John Clegg continue to hold the largest stake in Anglo Irish with 34 per cent, despite continuing efforts by the board

and Mr Sean Fitzpatrick, the chief executive, to persuade them to sell.

Mr Clegg resigned from the boards of Wace and Anglo Irish Bank earlier this year, because of allegations concerning shares dealing by members of Mr Clegg's family.

A senior executive of the bank apparently travelled to South Africa recently to talk to relatives of Mr Clegg who control the 14 per cent holding, to try to persuade them to sell to interested institutional shareholders. The offer was rejected.

Senior Anglo Irish executives believe that such a large private stake in the company overhangs the market for its shares and depresses their price. The Clegg family have consistently followed Anglo's successive rights issues.

## Welcome to SCA's Annual General Meeting

The shareholders of Svenska Cellulosa Aktiebolaget SCA are hereby invited to attend the Company's Annual General Meeting, to be held at the Stockholm Palladium on Kungsgatan 65 in Stockholm at 4:30 p.m. on Thursday, June 11, 1992.

## Agenda

- As stipulated in the Company's Articles of Association, the agenda includes the presentation of SCA's Annual Report and Auditors' Report, Consolidated Financial Statements and Consolidated Auditors' Report, decisions on approval of the Income Statement and Balance Sheet, and Consolidated Income Statement and Balance Sheet, disposition of the Company's earnings as shown in the approved Balance Sheet, voting on the discharge of the Board of Directors and President from liability for the year 1991, and the election of the Board of Directors and Auditors.
- The Board of Directors' proposals on decisions to change the Company's Articles of Association which will have the effect of - removing the foreign ownership prohibition clause, which means that all shares in the Company will be unrestricted, and - modifying the reconciliation restriction to conform to the new text in paragraph 8, chapter 3 of the Swedish Companies Act.
- The Board of Directors' proposal that the conditions for the convertible debenture loans 1983/93 and 1987/95 issued by the Company regarding conversion to restricted shares be changed so that conversion will be to unrestricted shares and that the conditions for the series 1 warrants issued by the Company regarding the rights to new subscriptions of restricted shares be changed so that new subscriptions will be for unrestricted shares.
- Approval of the transfer of the SCA Group's power operations to Sykkraft AB.
- Decision on proposal from a shareholder that the Company's Annual General Meeting in future be held in the month of May.

## Notification

- Shareholders wishing to participate in the Meeting must:
- be recorded in the share register maintained by the Swedish Securities Register Center (Värdpapircentralen VPC AB) not later than Monday, June 1, 1992.
  - notify SCA of their desire to participate not later than 4:00 p.m., Tuesday, June 9, 1992, in writing, to SCA, S-851 88 Sundsvall, Sweden, or by telephone (tel: +46 60 19 30 00, or +46 60 19 31 14).

When giving notification, shareholders must state the following:

- Name
- Personal number (where applicable) and / or company registration number
- Address and telephone number.

Shareholders who have transferred their shares to the trust department of a bank, or to a private broker, must temporarily register the shares in their own name with the VPC (Swedish Securities Register Center) not later than Monday, June 1, 1992. This type of temporary registration should be received by the trust department or broker well in advance of the deadline.

Those wishing to act as a delegate to represent shareholders must prove such authorization through a written, dated power of attorney in this effect. This type of power of attorney is valid for not more than one year from the date written.

## Payment of dividend, etc.

The Board of Directors has proposed Thursday, June 18, 1992 as the record date for payment of the dividend. If the shareholders at the Annual General Meeting approve the proposal, it is expected that dividend payments will be mailed by VPC on Friday, June 26, 1992. Refreshments will be served between 3:00 and 4:15 p.m.

May 1992, Sundsvall, Sweden  
The Board of Directors



## GENCOR LIMITED

(Incorporated in the Republic of South Africa)  
Company Registration No: 01/0123206  
(formerly General Mining Union Corporation Limited)

## PAYMENT OF COUPON NO: 148

(Dividend No: 132)

HOLDERS OF SHARE WARRANTS TO BEARER will receive payment on or after 29 May 1992 at the rate of 3.08154p the amount declared per share, less 0.46223p being South African non-resident shareholders' tax of 15% against surrender of Coupon No: 140.

Coupons must be deposited for FOUR CLEAR DAYS for inspection before payment will be made:

In London At the London Secretaries' office of the Company, 30 Ely Place, London EC1N 6UA

In Paris At Credit du Nord

In Switzerland At Credit Suisse, Zurich

Union Bank of Switzerland, Zurich

Swiss Bank Corporation, Basle or at any of their branches.

Coupons belonging to holders resident in Great Britain and Northern Ireland will be paid as follows:

Amount of dividend after deduction of South African non-resident shareholders' tax of 15%	Pence
2.61931	
Less United Kingdom Income Tax of 10% on the Gross Amount of the dividend of 3.08154p	0.30815
	<u>2.31116</u>

Listing forms can be obtained from the office of the London Secretaries.

per pro GENCOR (U.K.) LIMITED  
London Secretaries  
17 Baileys  
30 Ely Place  
London EC1N 6UA  
20 May 1992

NOTE:  
Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 10% instead of at the basic rate of 25% represents an allowance of credit at the rate of 15%. The gross amount of the dividend received to be entered by the individual shareholder on any return for Income Tax purposes is 3.08154p multiplied by the number of shares held.



المؤسسة المصرفية العربية (B.S.C.)  
Arab Banking Corporation (B.S.C.)

(Incorporated with limited liability in the State of Bahrain)

U.S. \$ 100 Million.  
Floating Rate Notes Due 1996 and  
U.S. \$ 150 Million. Floating Rate Notes Due 2000

It is hereby announced to the holders of the U.S. \$ 100 million floating rate notes due 1996 and to the holders of U.S. \$ 150 million floating rate notes due 2000 issued by Arab Banking Corporation (B.S.C.) that the audited annual report and accounts for the year ended 31st December, 1991 of Arab Banking Corporation (B.S.C.) are available and copies be obtained from the Bank at the following address in Bahrain:

Arab Banking Corporation (B.S.C.)  
P.O. Box 5698, Manama, State of Bahrain or through the branch of the company at its address in London:  
Arab Banking Corporation (B.S.C.)  
ABC House, 1-5 Moorgate, London EC2R 6AB, England.

ENGELS - HOLLANDSE BELEGINGS TRUST N.V.  
(English and Dutch Investment Trust)  
Established in Amsterdam, Keizersgracht 674

NOTICE IS HEREBY GIVEN that the Extra-Ordinary General Meeting of Shareholders due to be held on Friday 29th May 1992 has been postponed until Wednesday 17th June 1992 at 12.00 hours.

By order of the Board  
HOLLANDSE KOOPMANSBANK N.V.  
MANAGEMENT  
AMSTERDAM

## FINANCIAL TIMES CONFERENCES

# COMMERCIAL AVIATION AND AEROSPACE

### - Opportunities for East-West Co-operation and Collaboration

#### Berlin, 11 & 12 June 1992

Following the reunification of Germany and the emergence of the new Commonwealth of Independent States in the former Soviet Union, major new opportunities for co-operation and collaboration between Western and Eastern aerospace and airline industries are emerging.

Timed to immediately precede the ILA '92 at Berlin Brandenburg, this FT conference will review the challenges and the opportunities that the new environment offers. The international panel of speakers will include:

**Mr Vitaly Yefimov**  
Minister of Transport of the Russian Federation

**Mr Anatoly Bratukhin**  
Ministry of Industry of the Russian Federation

**Mr Lawrence W Clarkson**  
The Boeing Company

**Mr David Hinson**  
Douglas Aircraft Company

**Mr Pierre-Yves Divisia**  
European Bank for Reconstruction and Development

**Mr Aleksandr Larin**  
Department of Air Transport of the Russian Federation

**Mr Jürgen Weber**  
Deutsche Lufthansa AG

**Professor Aleksandr Isayev**  
Research Institute of Economics, Planning and Management, Moscow

**Dr Martin Bangemann**  
Commission of the European Communities

**Mr Karl J Dersch**  
BDL - Council

**Mr Albert Schneider**  
BMW Rolls-Royce GmbH

**Mr Adam Brown**  
Airbus Industrie

**Mr Erik Jan Nederkoorn**  
Fokker NV

**Mr Yves Michot**  
Aérospatiale

**Sir Colin Marshall**  
British Airways Plc

**Mr Bronislaw Klimaszewski**  
LOT Polish Airlines

SUPPORTED BY THE BDL - GERMAN AEROSPACE INDUSTRIES ASSOCIATION

**COMMERCIAL AVIATION & AEROSPACE**

☐ Please send me conference details

☐ I am interested in exhibiting at the conference

FINANCIAL TIMES CONFERENCES

Financial Times Conferences Organisation, 128 Avenue Road, London SW17 4LL, UK  
Tel: 071-825 2282, Tlx: 27347 FTCONF B, Fax: 071-825 2225

Name \_\_\_\_\_

Position \_\_\_\_\_ Dept \_\_\_\_\_

Company/Organisation \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_

Post code \_\_\_\_\_ Country \_\_\_\_\_

Tel \_\_\_\_\_ Tlx \_\_\_\_\_ Fax \_\_\_\_\_

Type of Business \_\_\_\_\_

# Staying aloft amid a stream of approaches

Paul Betts on British Airways' strategy to stay ahead in a highly-competitive market

GLOBALISATION remains the buzz-word at British Airways. But the airline, which impressively more than doubled pre-tax profits for the year to end-March, said yesterday it was in no hurry to find a partner.

"We want to be the global leader in our industry and we firmly believe we need to find strong partnerships for the future," explained Sir Colin Marshall, BA's chief executive. "But we feel no urgency to rush into anything: we are a strong, financially solid company that can withstand competition," he added.

The carrier was clearly disappointed by the collapse in February of its efforts to merge with KLM Royal Dutch Airlines: a partnership which would have strengthened its position in continental Europe and other international markets. It would also have had significant implications on the airline industry as a whole, accelerating the trend towards greater airline concentration.

It was also the third unsuccessful attempt by BA in barely three years to forge an equity partnership with another carrier following the failure of earlier efforts to link-up with United Airlines of the US and Sabena of Belgium.

But with its strong recovery last year, and one of the healthiest balance sheets in the airline industry, BA has clearly become wary of entering into any deal which risks undermining its turnaround. Lord King, the chairman, put it

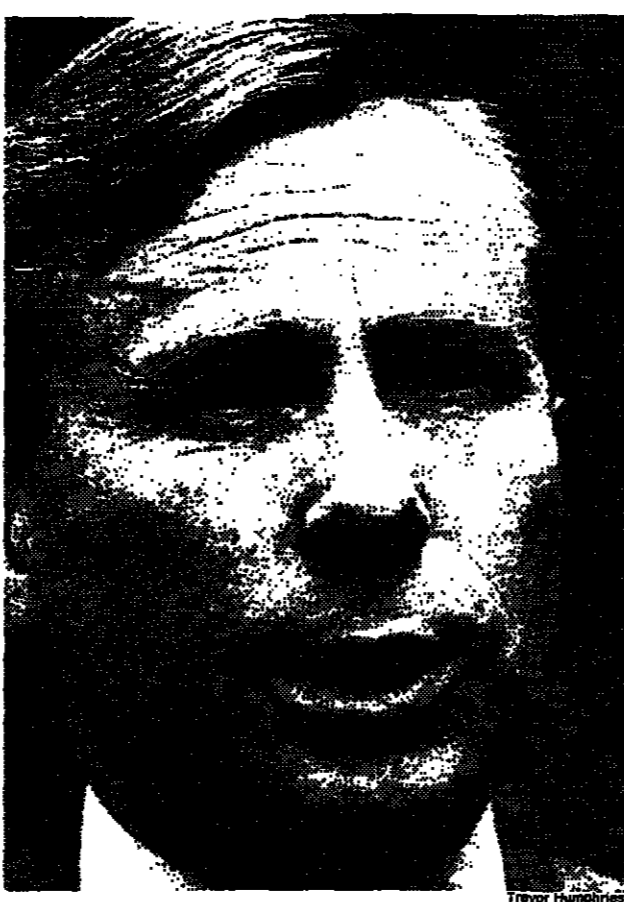
bluntly yesterday when he said: "We don't want to consolidate someone else's losses".

However, he added that finding a partner remained high on BA's agenda but "in the meantime bachelorhood continues to be both agreeable and profitable". Indeed, BA is not looking just for one partner but strong allies in its three leading markets: Europe, North America and Asia.

Although BA is not now talking to KLM, contacts between the two carriers could conceivably resume at some later stage. In the Asia-Pacific area, the airline is understood to be interested in taking a stake in Qantas, the Australian international carrier, as well as in Australasian Airlines, the domestic carrier. But it is facing competition from Singapore Airlines and Japan Air Lines. BA is also scouting the US for a possible deal.

Sir Colin indicated the airline received a steady flow of approaches from other carriers. "We get two a week on average," he said. But while BA, in the standard pilot's jargon at the beginning of every flight, sits back and relaxes as it waits for a partnership opportunity of its liking, it has taken comfort at its success in coming out of the industry's worst-ever recession with improvements in all of its principal markets.

In Europe, where the airline lost £10m last year, BA made an operating surplus of £20m, despite difficult trading conditions in the UK and a big



Sir Colin Marshall: no urgency to rush into anything

reversal in Germany following the impact of re-unification. In America, BA saw only a small decline in operating profits from £123m to £119m, although it faced acute competition across the North Atlantic with the arrival of new US carriers such as United and American Airlines at Heathrow, its London home base.

The UK government's decision last year to open up Heathrow to new competition put pressure on BA, with 17 new carriers moving into the airport. But BA still managed to increase its market share.

The biggest boost came from the strong recovery in the Middle Eastern, African and Indian subcontinent routes, which earned an operating surplus of £119m last year compared to only £13m previously. This largely reflected the recovery from the dramatic effects of the Gulf war on business.

There was continued growth in Asia-Pacific, with BA's operating profits more than doubling from £41m to £86m despite slower growth in Japan.

Continued improvements in traffic are expected this year as business recovers from last year's slump caused by the combined effects of the Gulf war and the recession. In the near-term, Sir Colin expected to see traffic rising by some 10 per cent in each of the coming two to three months over the levels of two years ago before the Gulf war started.

But BA is likely to face even fiercer competition this year as US carriers launch a new offensive on the North Atlantic routes and as liberalisation spreads in Europe and other markets. Sir Colin acknowledged BA would need partners to cope with the new era of deregulation. But Lord King added that the company, for the time being at least, had no intention to "act in haste and repent at leisure".

## NEWS DIGEST

### Countryside Props falls to £2.04m

COUNTRYSIDE Properties, the residential, commercial and industrial property company, reported a pre-tax profit of £2.04m for the six months to March 31 1992. The result compares with £3.06m last time and was struck on turnover up from £32.7m to £42.3m and after an exceptional charge of £1.02m relating to additional provisions against some residential development sites.

Group trading profit was £5.6m, with residential accounting for £5.5m. Commercial made £200,000, offsetting a £500,000 loss by property investment.

The interim dividend is being maintained at 1.4p, payable from earnings per share of 3.2p (8.6p).

**Difficult trading for Capital Radio**

Capital Radio, the independent radio broadcaster for London, saw its pre-tax profit for the

six months to March 31 fall 18 per cent from £5.01m to £4.11m in continuing difficult trading conditions.

Operating costs increased by almost £1m to £11.1m as a result of a planned increase in spending on audience promotional activities and costs relating to independent radio's dispute over royalty rates to record companies.

Turnover advanced 3 per cent to £16.2m (£15.7m). Earnings per share were 3.9p (5p) but the interim dividend has been maintained at 1.75p.

There was an extraordinary credit of £1.58m from the sale of the Duke of York's Theatre.

**Jermyn Investment £0.77m in the red**

Jermyn Investment Co. the shares and property investor, tumbled to a pre-tax loss of £772,727 for the year to December 31 1991 compared with profits of £287,538 in 1990.

The result was after an exceptional £850,000 write-down in the value of investment properties.

The loss per share amounted to 49.75p (35.1p earnings) but a final dividend of 1.5p (3p) is proposed as a "measure of confidence in the future."

Net property income rose to £128,672 (£106,722) while income from fixed asset investments fell to 283,723 (£72,894).

**Stratton Inv Trust net asset value rises**

The net asset value per share of Stratton Investment Trust stood at 183p at the year ended March 31 1992 against 178p a year earlier.

Total revenue, including bank interest and underwriting commissions, grew from £749,000 to £782,000.

Earnings per share came out at 2.28p (2.6p), as a consequence of which the dividend is reduced to 1.7p (1.86p).

**H Young advances 13% to £427,000**

H Young Holdings, the optical, automotive, horticultural and electronics group, showed a 13 per cent advance from £377,000 to £427,000 in pre-tax profits in the half year to end-March. Turnover was up by £1m to £15.6m.

At the operating level profits advanced by 51 per cent from £422,000 to £638,000 but the interest charge surged from £45,000 to £211,000.

After tax of £141,000 (£101,000) earnings per share were unchanged at 1.7p. The dividend is held at 1.7p.

During the year the optical division acquired Shades sunglasses business and the distributorship of Nikon equipment for eye testing.

**Tuskar Resources recommends offer**

The board of Tuskar Resources, the Irish exploration company, yesterday recommended acceptance of an all-share offer for the company made last March by Australian exploration company Coplex.

Tuskar's main assets are its exploration licences in the Ruzhales and Pitir oil fields in Colombia. It sold a 54% stake in these to Coplex last month, in order to finance the completion of a drilling programme, under the terms of the licence arrangements.

The Coplex bid is a one-for-two share-swap offer which values Tuskar at £4.67m.

**Tunstall moves 20% ahead to £2.55m**

Tunstall Group, which makes, installs and services security

and emergency communications equipment, lifted pre-tax profits by 20 per cent in the six months to March 31.

On turnover just ahead to £19.8m (£19m) the pre-tax result came out at £2.55m against £2.13m and included net interest received of £39,000 against £214,000 charged.

The interim dividend is stepped up to 2.25p (2.15p), payable from earnings per share of 10.2p (8.4p).

**LAWS advances to £880,000**

LAWS Group, Dublin-based fertilisers and agri-business company, reported a substantial rise in interim pre-tax profits from £234,000 to £688,000, or £808,000, in the half year to January 31. However, the company said the figures were not indicative of the full year as most of its profits were earned in the second half.

Turnover was £183m (£182m) and after tax of £120,000 (£88,000) and lower minorities of £150,000 (£228,000) attributable profits were £170,000, against losses of £302,000.

Earnings per share were 0.7p (0.3p losses). The interim dividend is unchanged at 1p.

## FIDELITY BALANCED PORTFOLIO

Société d'Investissement à Capital Variable  
Kansallis House  
Place de l'Etoile  
L-1021 Luxembourg

### NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of FIDELITY BALANCED PORTFOLIO, a société d'investissement à capital variable organised under the laws of the Grand Duchy of Luxembourg (the "Fund"), will be held at the registered office of the Fund, Kansallis House, Place de l'Etoile, Luxembourg, at 11:00 a.m. on May 28, 1992, specifically, but without limitation, for the following purposes:

1. Presentation of the Report of the Board of Directors.
2. Presentation of the Report of the Auditor.
3. Approval of the balance sheet and income statement for the fiscal year ended January 31, 1992.
4. Discharge of the Board of Directors and the Auditor.
5. Election of six (6) Directors, specifically the reelection of Messrs. Edward C. Johnson 3d, Charles T. M. Collis, Charles A. Fraser, Jean Hamilius and H. F. van den Hoven, being all of the present Directors, and the election of Mr. Barry R. J. Bateman as a new Director, subject to approval by the Institut Monétaire Luxembourgeois and to have effect after such approval.
6. Election of the Auditor, specifically the election of Coopers & Lybrand, Luxembourg.
7. Declaration of dividends on the Fund's Class A and Class B shares in respect of the fiscal year ended January 31, 1992, and authorisation of the Board of Directors to declare additional dividends in respect of fiscal year 1992 if necessary to enable the Fund to qualify for "distributor" status under United Kingdom tax law.
8. Consideration of such other business as may properly come before the meeting.

Approval of the above items of the agenda will require the affirmative vote of a majority of the shares present or represented at the meeting with no minimum number of shares present or represented in order for a quorum to be present. With respect to item 7, each class will vote separately its approval of the dividend to be paid on shares of that class; the affirmative vote of a majority of the shares of that class present or represented at the meeting will be required in addition to the affirmative vote of a majority of the vote of the combined classes present or represented at the meeting to approve the dividend. Subject to the limitations imposed by the Articles of Incorporation of the Fund with regard to ownership of either or both Class A and Class B shares which constitute in the aggregate more than three percent (3%) of the outstanding shares of both classes, each share is entitled to one vote. A Shareholder may act at any meeting by proxy.

Dated: April 23, 1992

BY ORDER OF THE BOARD OF DIRECTORS

**Fidelity Investments**

### THE KINGDOM OF BELGIUM

U.S. \$100,000,000  
FLOATING RATE BONDS  
DUE NOVEMBER 1996

In accordance with the provisions of the Bonds, notice is hereby given that the Rate of Interest for the twelfth Interest Period from the 20th May 1992 to 20th November 1992 has been fixed at 4 per cent per annum.

Interest payable on each US \$250,000 on the relevant interest date, 20th November, 1992 will be US \$111.11.

SVENSKA  
INTERNATIONAL P.L.C.  
Agent

THE TOKYO  
ELECTRIC POWER  
COMPANY,  
INCORPORATED

Japanese Yen 60,000,000,000  
Floating Rate Notes 1992

In accordance with the provisions of the Notes notice is hereby given that for the next six month period 20th May, 1992 to but excluding 20th November, 1992 the Notes will carry an interest rate of 5.45 per cent per annum. The Coupon will be Japanese Yen 273,989 on the Notes of Japanese Yen 10,000,000. The relevant interest payment date will be 20th November, 1992.

Sakura Trust  
International Limited  
(Agent Bank)

### APPLICATION FOR LISTING BY VENTURE PLANT GROUP Plc

This notice is issued in compliance with the requirements of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("the London Stock Exchange"). It does not constitute an invitation to any person to subscribe for or purchase any securities.

Application has been made to the London Stock Exchange for the Ordinary shares of 20p each (later consolidated) of Venture Plant Group Plc to be admitted to the Official List. It is expected that dealings in such shares will commence on 2nd June, 1992.

### VENTURE PLANT GROUP Plc

(to be renamed Barcon Plc)

(Incorporated and registered in England under the Companies Act 1985 - Registered No. 2158109)

Admission to the Official List

Acquisition of the Materials Handling Division of National Plant and Transport Plc

Placing of 12,390,970 Placing Shares at 100p per share by

REA BROTHERS LIMITED and

1 for 1 Rights Issue at 100p per share

£800,000	£4,950,000	following consolidation	£621,806	£3,721,806
----------	------------	-------------------------	----------	------------

**Activities of the Enlarged Group**

The companies comprising the Enlarged Group are involved in the provision of operated plant hire and materials handling services on a long term basis to major mining and energy utility customers and the provision of non-operated lighter plant hire to civil

Activities of the Enlarged Group

The companies comprising the Enlarged Group are involved in the provision of operated plant hire and materials handling services on a long term basis to major mining and energy utility customers and the provision of non-operated lighter plant hire to civil engineering contractors and contractors in the United Kingdom.

Availability of Listing Particulars

Listing Particulars relating to the Company have been approved as required by the listing rules made under section 141 of the Financial Services Act 1986. The Listing Particulars are included in the Stock Exchange Companies Fiche Service, available from Euxel Finance Limited, 37-45 Paul Street, London EC2A 3PF from 3.00 p.m. on 10th May, 1992 and copies may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) from the Company's Announcements Office of the London Stock Exchange, the London Stock Exchange Tower, Capital Court Entrance, off Bartholomew Lane, London EC2N 2HP (by collection only) up to and including 22nd May, 1992 and up to and including 22nd June, 1992 from:

Rea Brothers Limited  
Alderman's House  
EC2M 3NR  
Panmure Gordon & Co. Limited  
9 Moorfields Highway  
London  
EC2Y 9DS  
Venture Plant Group Plc  
Litter House  
Litter Road  
Willingborough  
Northamptonshire  
NN46 4EL

20th May, 1992

This announcement appears as a matter of record only



## ORTHOPIX INTERNATIONAL NV

Initial Public Offering on NASDAQ in New York  
valuing the company at US \$124 million

The original Italian company was acquired in a management buy-in arranged in 1987.

Electra Investment Trust PLC

Advent Limited

The principal institutional investors were:

Electra Investment Trust PLC

Advent Limited

Advent International Corporation

Jointly issued by:

Electra Kingsway Limited and Advent Limited

April 1992

Members of IMRO

### ABTRUST ATLAS FUND

Société d'Investissement à Capital Variable  
Registered Office: 13 rue Goethe, L-1637 Luxembourg  
R.C. Luxembourg B 27.229

The ANNUAL GENERAL MEETING OF SHAREHOLDERS of Abtrust Atlas Fund will be held at its registered office at 13, rue Goethe, Luxembourg at 2 p.m. on Friday, 20th May 1992 for the purpose of considering and voting upon the following matters:

1. Acceptance of the Director's and Auditor's reports and approval of the financial statements for the year ended 31st January 1992.
2. Distribution of final dividend.
3. Discharge of the Board of Directors and Auditor.
4. Re-election of Directors.
5. Re-election of Auditor.
6. Miscellaneous.

Resolutions on the agenda of the annual general meeting will require a quorum and will be taken at the majority of the votes expressed by the shareholders present or represented at the meeting.

In order to attend the meeting of 20th May 1992, the owners of bearer shares will have to deposit their shares five clear days before the meeting at the registered office of the company.

Noting arrangements: Shareholders who cannot attend the Meeting in person are invited to send a duly completed and signed proxy form to the registered office of the Company to arrive not later than 27th May 1992. Proxy forms will be sent to registered shareholders with a copy of this Notice and can also be obtained from the registered office.

7th May 1992 The Board of Directors

### IPNA 2 N.V.

NOTICE IS HEREBY GIVEN that in accordance with article 8 of the Conditions of Administration, the Annual General Meeting of holders of Depositary Receipts of IPNA 2 N.V. will be held on June 3rd, 1992, at 15.00 hrs, at the office of the Stichting in Amsterdam, Heengracht 320 in order to review the annual accounts of IPNA 2 N.V. 1991.

According to Article 9 of the Conditions of Administration holders of Depositary Receipts who want to attend the meeting have to deposit their certificates, or a statement from a bank that those certificates are in its custody and that it will keep those certificates in its custody until the end of the meeting, at the office of the Stichting, on May 28th, 1992 at the latest.

Notice is given that the agenda of the meeting and the accounts for the year ending December 31st, 1991 have been deposited at the office of the Stichting at the aforementioned address. Copies of both documents can be obtained at that address free of charge.

Amsterdam, May 20, 1992

STICHTING IPNA 2 TRUST SERVICES  
Heengracht 320  
1016 CE Amsterdam

This notice is issued in compliance with the requirements of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited ("the London Stock Exchange"). It does not constitute an offer or invitation to any person to subscribe for or purchase any shares of 10p each in Industrial Control Services Group plc ("ICS").

Application has been made to the London Stock Exchange for the share capital of ICS, issued and to be issued, to be admitted on the Official List. It is expected that dealings will commence on 28th May, 1992.



Industrial Control Services  
Group plc  
(Registered in England and Wales under the Companies Act 1985 - No. 2553840)

Placing  
by  
Panmure Gordon & Co. Limited  
of

13,634,131 ordinary shares of 10p each at 110p per share

### SHARE CAPITAL

Authorised	Issued and to be issued fully paid
£5,625,000	ordinary shares of 10p each £3,990,088

ICS is a holding company for a group of companies. It specialises in the design, manufacture and commissioning of high quality integrated safety and control systems which monitor industrial processes and the environments in which they operate.

Particulars relating to ICS are included in the Companies Fiche Service available from the London Stock Exchange and are also available in the statistical service of Euxel Financial Limited. Copies of the particulars may be obtained during normal business hours on any weekdays, Saturdays and public holidays excepted, up to and including 22nd May, 1992 from the Company Announcements Office of the London Stock Exchange, the London Stock Exchange Tower, Capital Court Entrance, off Bartholomew Lane, London EC2N 1HP (for collection only) and up to and including 11th June, 1992 from the registered office of ICS at Hall Road, Maldon, Essex CM9 7LA and from:

Panmure Gordon & Co. Limited  
9, Moorfields Highway,  
London EC2Y 9DS.

20th May, 1992

## COMMODITIES AND AGRICULTURE

# Commission fights against Opec can afford a touch of mañana

## dilution of CAP reforms

By David Gardner in Brussels

THE European Commission and the current Portuguese presidency of the EC were last night still locked in negotiations as Brussels sought to resist dilution of its planned reform of the Common Agricultural Policy by farm ministers of the Twelve.

Hard bargaining between Mr Ray MacSharry, EC agriculture commissioner, and Mr Ariado Cunha, the Portuguese agriculture minister currently heading the farm council, delayed resumption of the ministerial meeting, which broke off on Monday afternoon for bilateral negotiations the Commission and Presidency held with each member state.

The cause of the impasse was last month's fourth

attempt by the presidency to strike a compromise, which suggested lowering cereals prices to only Ecu112 a tonne, or by 27 per cent from current prices, against the Ecu100 per tonne sought by the Commission - a 35 per cent drop.

Because the cereals chapter is the core of the MacSharry reform, he was said by aides last night to have dug in his heels and refused to budge. One source said a likely new compromise was Ecu110 per tonne.

Germany wants a far less severe reduction in price than even the Portuguese compromise, while France fears that if the price does not come down far enough, its competitive grains exporters will be hit by greater "set-aside" requirements to restrain production.

A new compromise paper was expected late last night, to enable ministers not only to judge the cereals price target, but to a range of tightly-knit problems to be resolved in the livestock and dairy sectors. These cannot be given full consideration until the cereals issue is resolved, since the lower cost of grain as feedstock is part of the compensation promised livestock farmers for also accepting severe price cuts.

With the Council of Ministers as such not sitting for all but a few minutes of the first 36 hours of a meeting which could run all week, there was doubt that the agreement in principle on the reform package the Commission and Presidency were seeking this week could be reached.

WHATEVER arguments reverberate around Vienna's hotel suites over the next few days, ministers from the Organisation of Petroleum Exporting Countries gathered therein look likely to reach a production agreement for the third quarter based on deferring for today hard choices which, with luck, may have evaporated tomorrow.

The usual pre-summit posturing has made it clear that debate in the ministerial meeting, opening today, will centre on whether Opec should raise its production ceiling for the quarter by around 1m barrels a day to 24m b/d from the second quarter limit agreed in February.

Saudi Arabia, Opec's predominant producer with a 34 per cent share of the cartel's output, will enter the fray arguing that 24m b/d is the least the cartel should pump for the third quarter to meet a rising appetite for crude from nascent US and European recoveries and what Riyadh believes will be a healthy stock build up over the quarter.

Venezuela has already signalled its approval of such a position, and Saudi delegates are said to be confident that their view will be the consensus this week. Moreover, many in the oil market are already

discounting a 1m b/d rise, and analysts suggest this will not derail the recently firmer trend in prices.

Mr Mehdi Vazir, oil analyst for Kleinwort Benson, says he sees Brent crude reaching \$21-\$22 by the end of the third quarter even given an Opec production rise. "We've not seen the peak in prices yet," he says.

In familiar opposition to the Saudi-led view, however, will be the price-hawks Iran, Algeria and perhaps Libya and Nigeria. They will argue with varying force that production should be held at the nominal, and slightly exceeded, February ceiling of 22.98m b/d - or even cut slightly - in the face of stiffening demand, to raise the price for the Opec basket of crudes towards Opec's formal target price of \$21 a barrel.

Should the Saudi view prevail, and it will do so only against stiff opposition from Iran, it will be thanks largely to the steady, if unspectacular, recent firming of crude prices, which last week saw the Opec basket price rise to a high since November of \$18.45 a barrel.

Many analysts believe this firming should continue in modest tandem with the economic upturn, with prices underpinned by uncertainty over a possible oil embargo

against Libya - a factor which remains in the market despite few in the oil industry believing such an embargo is politically feasible.

Some analysts estimate that demand for Opec crude in the third quarter could top 24.5m b/d, rising to just below 25m b/d for the fourth. The Saudis certainly believe that 24m b/d is the minimum required for a balanced oil market in the next quarter - implying that Opec discipline at that level could push prices slightly higher, and thus offer Iran room to concede a higher overall ceiling in Vienna.

The medium-term outlook for prices is also supported by the growing certainty that Iraq will not re-enter the oil market before next year at the earliest. Mr Tariq Aziz, Iraq's deputy prime minister, earlier this month rejected once again the United Nations formula for permitting an exceptional sale of Iraqi crude to pay for humanitarian needs. The Saudis, meanwhile, are privately confident that Iraq will export no oil while Mr Saddam Hussein remains its president.

Without Opec having to face, for this and perhaps the next quarter, the hard choices raised by a return of Iraqi crude to the market, a raised ceiling could, if the Saudis have their way - see the King-

dom raise output to 8.2m b/d from the present 8.02m b/d (thus retaining its 34 per cent Opec share) with an eager Kuwait taking much of the additional slack.

Accommodating Opec's rapid resumption of output is something else Opec can better weather in the present market climate. While analysts such as Cambridge Energy Research Associates estimate that Kuwait claims to be producing 900,000 b/d may be optimistic by 100,000 b/d, few doubt that the emirate will be far off its target 1.5m b/d by the fourth quarter.

Mr Homoud al-Raghib, the Kuwait oil minister, is likely to stress once again in Vienna that the emirate will not accept any Opec strictures on its oil production - and thus its revenues. A report by the Kuwaiti Al-Shaikh economic consultancy at the weekend suggesting that the emirate could end up spending nearly a third of total oil revenues this year on servicing debt from its reconstruction borrowing gives some idea why.

If Kuwait feels it has overwhelming economic cause to resist an Opec straitjacket, it is not alone. Saudi Arabia, Venezuela, Iran, Nigeria, and Algeria each have urgent economic and political reasons for maximising their revenues -

something which only the former pair can adequately manage at present prices.

Iran, in particular, feels pressed. The continued domestic appeal of President Hossein Rafsanjani's "moderate" policies, now backed by a strong majority in the recently elected majlis, will depend upon his ability to deliver a swift and tangible improvement in the economic lot of an increasingly bitter and impoverished population.

The force of an Opec majority and somewhat improved prices should bring Iran under the umbrella of a deal to raise production ceilings this week-end, after perhaps three or four days bargaining. But for Tehran, as for high-deficit Saudi Arabia, heavily borrowed Kuwait and politically troubled Algeria and Nigeria, the real hope is for a substantial growth in oil demand towards the end of this year and early next.

While analysts are predicting as much, and while Iraq continues to produce only 500,000 b/d and purely for domestic use, Opec's ministers can afford a touch of *mañana* about their Viennese deliberations. Certainly any threats about fourth-quarter ceilings are likely to be deferred until a further meeting in September.

## Pechiney smelter 'breaking even'

By Kenneth Gooding, Mining Correspondent, in Dunkirk

PECHINEY's new \$1bn aluminium smelter at Dunkirk already is producing at its full annual capacity rate of 215,000 tonnes and, in spite of the seriously depressed market conditions, is breaking even financially, said Mr Bernard Legrand, an executive vice president and head of the state-owned group's world wide aluminium operations, yesterday.

The smelter, brought into operation in 22 months just ahead of schedule and slightly under budget, will produce 180,000 tonnes of aluminium this year, account for half of France's output of the metal and confirm Pechiney's position as the world's third largest producer.

It will boost Pechiney's total output this year by about 100,000 tonnes from the 1991 level to 870,000 tonnes, said Mr Legrand when his group showed the smelter to the press for the first time. Pechiney is the second largest supplier of aluminium to the free market in the western world after Alcan of Canada and means to retain that position.

Mr Legrand said Pechiney had turned down approaches by two European competitors wishing to share Dunkirk's output. "This going to be low cost aluminium and we quickly decided we wanted it all for ourselves," he said.

As planned, Pechiney has closed two old smelters in France and has been forced by market conditions to curtail production at its Vlijssingen smelter in the Netherlands.

The smelter, brought into operation in 22 months just ahead of schedule and slightly under budget, will produce 180,000 tonnes of aluminium this year, account for half of France's output of the metal and confirm Pechiney's position as the world's third largest producer.

It will boost Pechiney's total output this year by about 100,000 tonnes from the 1991 level to 870,000 tonnes, said Mr Legrand when his group showed the smelter to the press for the first time. Pechiney is the second largest supplier of aluminium to the free market in the western world after Alcan of Canada and means to retain that position.

Pechiney has a 35 per cent shareholding in Aluminium

Dunkirk, the company which owns the Dunkirk smelter, and private investors own the rest. The group also has a one-third share in the Dunkirk operating company with the rest of the equity shared by the ownership company and EDF.

Pechiney is responsible for ensuring the smelter's supply of alumina. All 400,000 tonnes of this essential raw material is coming this year from Alcoa's subsidiary in Surinam.

Mr Jean Gaudois, Pechiney's chairman, said yesterday that the project showed there was still a place for large, heavy industrial projects in Europe. The smelter emits virtually no pollution and its productivity is claimed to be the best in the world - 400 tonnes a year for each member of the work force by the end of 1992. It employs 550 directly.

It also brings FF22bn per annum benefit to the French trade balance. Last year net imports of aluminium to France rose from 405,000 tonnes in 1990 to 424,000 tonnes. Dunkirk also confirms Pechiney's leading role in aluminium smelter technology - two thirds of all new smelters in the past 10 years have employed its technology.

## 'Transitional accord' move to boost coffee market

By Bill Hinchberger in Sao Paulo

BRAZILIAN and Colombian officials hope to forge a "transitional" accord, to boost the currently depressed coffee market, at the September meeting on the International Coffee Agreement.

They believe that some clauses can be ready to take effect as early as October. This position emerged from a Monday meeting in Rio de Janeiro of representatives of the two governments. They now plan to canvass Indonesia and leading producers in central America and Africa in an attempt to build a consensus among producers at their meeting in London on 27 May. That gathering is in preparation for the coming round of negotiations with consumers in late June.

Brazilian private sector sources say that the initiative for the fast-track transitional pact comes from the Colombians. Some of them doubt whether a consensual agreement can be hammered out in such a short period of time.

## Western gold mine output nears a plateau

By David Blackwell

WESTERN MINE gold production is "edging towards a plateau if not peak," according to the annual survey of the market by Gold Fields Mineral Services.

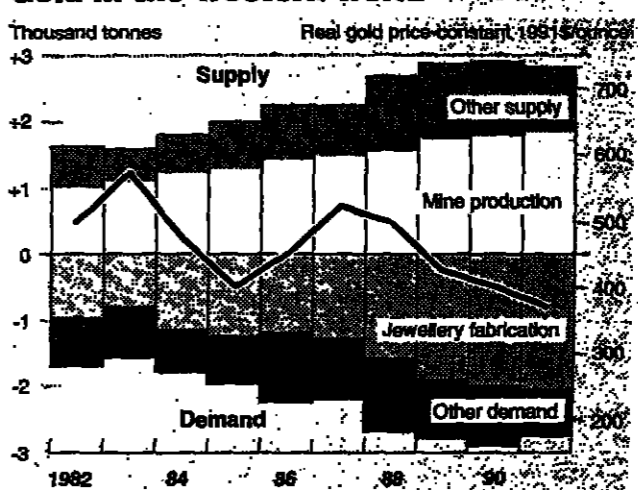
Mine output was up by only 2 per cent in 1991, the lowest increase for the past 10 years. Nevertheless it was still at a record 1,782 tonnes.

The slowdown in the rate of increase reflects "the increasing difficulty of attracting finance for marginal properties and the depletion, rationalisation or closure of some older mines," the report says.

The total world supply of gold fell for the first time since 1983, to 2,815 tonnes from 2,913 tonnes in 1990. The fall reflects a decline in supplies from the former communist bloc (from 425 tonnes in 1990 to 226 tonnes), and a lower level of hedging by producers.

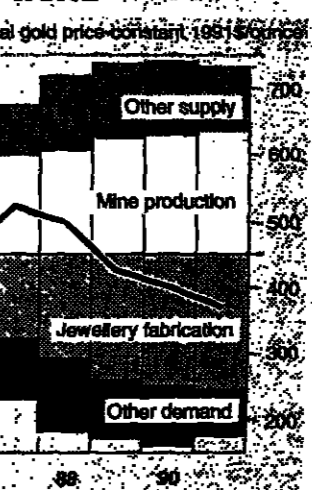
The impact of forward sales and gold loans put at a net 40 tonnes - "declined sharply last year owing to the combination of low spot prices, a less attractive forward price, due to lower interest rates, and an absence of price spikes." The lack of demand for gold loans "resulted in a net pay-back of

## Gold in the western world



Source: Gold Fields Mineral Services

## Gold price constant 1985 \$/oz



Source: Gold Fields Mineral Services

## and industrial uses, remained largely unchanged. However,

total hoarding of gold in Latin America, the Middle East and Far East declined.

The report wonders whether "the behaviour of bar holders in Asia is now becoming more similar to that of Western investors, with a falling price promoting disillusioned sales rather than bargain hunting purchases."

The gold price averaged \$882.26 an ounce, 6 per cent down on 1990 and the lowest real level since the 1970s. Among factors behind gold's fall were the decline in global economic output for only the second time since the Second World War, the rapid resolution of the Gulf war and the easing of political tension with the demise of the Soviet Union.

The outlook should be more positive, with more than a third of production unprofitable and consumer spending and inflation near cyclical lows. But if economic recovery is weak, additional gold sales could be prompted, keeping the lid on prices for some time. Gold 1992. ESO, Gold Fields Mineral Services, Graecoal House, Francis Street, London SW1P 1JH.

## MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market, 99.5 per cent, \$ per lb, in warehouse, 26-27 (27.50-28.50).

BISMUTH: European free market, 99.99 per cent, \$ per lb, in warehouse, 2.40-3.00 (same).

CADMIUM: European free market, 99.5 per cent, \$ per lb, in warehouse, 0.80-1.00 (0.90-1.10).

COBALT: European free market, 99.5 per cent, \$ per lb, in warehouse, 26-27 (27.50-28.50).

MERCURY: European free market, 99.99 per cent, \$ per 76 lb flask, in warehouse, 130-150 (same).

MOLYBDENUM: European free market, drummed molybdenum, \$ per lb Mo, in warehouse, 2.20-2.35 (2.20-2.30).

SELENIUM: European free market, 99.5 per cent, \$ per lb, in warehouse, 4.80-5.00.

TUNGSTEN: European free market, standard min. 95 per cent, \$ per tonne unit (10 kg) WO<sub>3</sub>, cif, 56-66 (same).

VANADIUM: European free market, 98 per cent, \$ a lb V<sub>2</sub>O<sub>5</sub>, cif, 2.05-2.15 (same).

URANIUM: Nuxeo exchange value, \$ per lb, U<sub>3</sub>O<sub>8</sub>, 7.75 (same).

SELENIUM: European free market, 99.5 per cent, \$ per lb, in warehouse, 4.80-5.00.

TUNGSTEN: European free market, standard min. 95 per cent, \$ per tonne unit (10 kg) WO<sub>3</sub>, cif, 56-66 (same).

VANADIUM: European free market, 98 per cent, \$ a lb V<sub>2</sub>O<sub>5</sub>, cif, 2.05-2.15 (same).

URANIUM: Nuxeo exchange value, \$ per lb, U<sub>3</sub>O<sub>8</sub>, 7.75 (same).

## MARKET REPORT

Growing sentiment that producers are close to a unified stance on price supports helped to lift COFFEE prices in London and New York. The July New York arabica contract moved above key resistance at 65.20 cents a lb in early trading. Traders were hesitant to sell despite conflicting reports on whether questions had been reached regarding agreement on shares in any new quota plan, a target price or selectivity, analysts said. In Chicago MAIZE and SOYABEANS were sharply lower at midday in reaction to bearish export, planting, and weather reports. "You are starting to blow people out of London Markets

here," one broker said of the domino effect of fund selling in the maize market. The pressure spilled over into WHEAT. PLATINUM rose as the London bullion market digested Monday's bullish Johnson and Matthey report. New York platinum futures pared early gains by midday. A 17 per cent fall in US housing starts in April, the biggest drop in eight years, undermined sentiment by pointing to a still-anemic economy, analysts said. The New York COTTON market was limit down at midday following overnight rain in the Delta region of the US.

Compiled from Reuters

## London Markets

### SPOT MARKETS

Crude oil (per barrel FOB) + or -

Dubai \$16.50-16.60 -250

Brent Blend (total) \$17.10-17.20 -250

WTI (11 m) oil \$17.10-17.20 -250

WTI (11 m) oil \$17.10-17.20 -250

WTI (11 m) oil \$17.10-17.20 -250

WTI (11 m) oil \$17.10-17.20 -250

WTI (11 m) oil \$17.10-17.20 -250

WTI (11 m) oil \$17.10-17.20 -250

WTI (11 m) oil \$17.10-17.20 -250

WTI (11 m) oil \$17.10-17.20 -250

WTI (11 m) oil \$17.10-17.20 -250

WTI (11 m) oil \$17.10-17.20 -250

WTI (11 m) oil \$17.10-17.20 -250

WTI (11 m) oil \$17.10-17.20 -250

WTI (11 m) oil \$17.10-17.20 -250

WTI (11 m) oil \$17.10-17.20 -250

WTI (11 m) oil \$17.10-17.20 -250

WTI (11 m) oil \$17.10-17.20 -250

WTI (11 m) oil \$17.10-17.20 -250

WTI (11 m) oil \$17.10-17.20 -250

WTI (11 m) oil \$17.10-17.20 -250

WTI (11 m) oil \$17.10-17.20 -250

WTI (11 m) oil \$17.10-17.20 -250

WTI (11 m) oil \$17.10-17.20 -250

WTI (11 m) oil \$17.10-17.20 -250

WTI (11 m) oil \$17.10-17.20 -250

WTI (11 m) oil \$17.10-17.20 -250

### COCA - London POX

Close Previous High/Low

May 550 550 553 547

Jul 571 569 574 562

Sep 589 589 593 589

Nov 607 607 611 607

Jan 625 625 629 625

Mar 643 643 647 643

May 661 661 665 661

Jul 679 679 683 679

Sep 697 697 701 697

Nov 715 715 719 715

Jan 733 733 737 733

Mar 751 751 755 751

May 769 769 773 769

Jul 787 787 791 787

Sep 805 805 809 805

Nov 823 823 827 823

Jan 841 841 845 841

Mar 859 859 863 859

May 877 877 881 877

Jul 895 895 899 895

Sep 913 913 917 913

Nov 931 931 935 931

Jan 949 949 953 949

Mar 967 967 971 967

May 985 985 989 985

Jul 1003 1003 1007 1003

Sep 1021 1021 1025 1021

Nov 1039 1039 1043 1039

Jan 1057 1057 1061 1057

### COCA - London POX

Close Previous High/Low

May 550 550 553 547

Jul 571 569 574 562

Sep 589 589 593 589

Nov 607 607 611 607

Jan 625 625 629 625

Mar 643 643 647 643

May 661 661 665 661

Jul 679 679 683 679

Sep 697 697 701 697

Nov 715 715 719 715

Jan 733 733 737 733

Mar 751 751 755 751

May 769 769 773 769

Jul 787 787 791 787

Sep 805 805 809 805

Nov 823 823 827 823

Jan 841 841 845 841

Mar 859 859 863 859

May 877 877 881 877

Jul 895 895 899 895

Sep 913 913 917 913

Nov 931 931 935 931

Jan 949 949 953 949

Mar 967 967 971 967

May 985 985 989 985

## LONDON STOCK EXCHANGE

## Footsie struggles to hold above 2,700

By Steve Thompson

A LATE burst of activity, prompted by some rather spurious takeover speculation, enabled London's equity market to close at a difficult day with only minor damage. More importantly, it finished above the psychologically important 2,700 level on the Footsie index. At the close the index was 3 points lower at 2,706.5.

Equity market specialists were encouraged that the market had managed to hold above 2,700, although there were suspicions that dealers were more than keen to see the index close above that level.

There was turmoil in the market at the outset of trading, when a fault in the Stock Exchange computing system

led to incorrect FT-SE 100 share indices being published on the Stock Exchange TOPIC system during the first few minutes of trading. The fault also meant that prices carried on TOPIC's Footsie trigger page were incorrect. There were no problems, however, with the market's S&P trading system, enabling dealers to trade normally throughout the session.

The problems were quickly corrected, showing that the Footsie opened some 3.6 higher at 2,707.2. The early rise in the Footsie reflected the latest strong showing by Wall Street overnight and a positive performance by Tokyo.

However, a decline in the Footsie future and the emergence of only scattered support

Account	Dealing Dates
First Dealing	May 11 Jun 15
Option Dealing	May 28 Jun 11
Last Dealing	May 28 Jun 11
Account Day	May 28 Jun 11

Timezone change may take place from 1.30 am two business days earlier.

for leading shares saw the market begin to drift off and dip below 2,700 to reach the day's low point of 2,683.7, or 9.9 lower.

April's Public Sector Borrowing Requirement of £3.6bn came as no surprise to the City, nor did figures for industrial production and unit wage costs. Thereafter, the market managed to regroup some of the lost ground, with an early mod-

est fall by Wall Street having little effect on London. Dealers were quick to point out that sterling continued to perform well against the D-Mark and the dollar and that there had been few signs of pressure in the gilt market.

News that the Bank of England had waved through the Hongkong & Shanghai Banking bid for Midland Bank caused a flurry in Midland shares amid rather unconvincing stories that Hongkong Bank may well launch a market raid to pick up a further 10 per cent of Midland shares.

Another suggestion was that Lloyds, increasingly viewed as being thwarted in its attempts to acquire Midland, could now turn its attentions towards the Royal Bank of Scotland.

Heavy turnover in Asda also revived old bid hints in the supermarket chain.

The best showing in the Footsie came from British Airways, whose shares ran up 5.3 per cent after more than doubled profits.

Lasmo, the oil group, took a hammering after S.O. Warburg Securities downgraded its earnings and dividend projections for the stock.

Turnover in equities accelerated after a slow start, helped by a medium-sized programme trade executed around midday, and reached 565.4m shares. As expected, the value of customer business on Monday dropped below £1bn, only the third time since the general election that turnover has fallen below that level.

## FINANCIAL TIMES STOCK INDICES

	May 19	May 18	May 17	May 16	May 15	May 14	May 13	Year Ago	High	1992	Low	Since Completion
	88.21	89.23	89.04	88.94	88.84	84.37	86.23	88.11	127.40	49.18		
Government Secs	86.74	104.57	104.33	104.13	100.82	93.41	104.74	127.40	105.40	53.53		
Fixed Interest	104.21	104.57	104.33	104.13	100.82	93.41	104.74	127.40	105.40	53.53		
Ordinary Share	2129.5	2129.1	2113.3	2104.2	2136.2	2142.5	2147.1	1851.4	(2317.147)	(31.291)		
Gold Mines	112.0	112.4	111.4	110.9	107.7	159.2	106.6	104.8	124.7	43.5		
FT-SE 100 Share	2700.6	2703.6	2682.6	2694.7	2720.5	2482.7	2737.4	2737.4	2737.4	2737.4		
FT-SE Eurotrack 200	1222.78	1226.78	1225.65	1234.32	1245.41	1162.88	1246.78	1225.52	1246.78	936.62		
Ord. Div. Yield (%)	4.32	4.31	4.34	4.32	4.28	4.39	4.32	4.39	4.32	4.39		
Price/Earnings Ratio	21.30	21.30	21.30	21.30	21.30	21.30	21.30	21.30	21.30	21.30		
P/E Ratio (Net/Div)	20.57	20.59	20.47	20.53	20.68	20.48	20.57	20.57	20.57	20.57		
SEAO Shares 5.00p	27.44	27.27	26.57	26.63	26.67	26.78	26.78	26.78	26.78	26.78		
Equity Turnover (%)	94.55	94.55	94.55	94.55	94.55	94.55	94.55	94.55	94.55	94.55		
Equity Gearing (%)	43.89	43.89	43.89	43.89	43.89	43.89	43.89	43.89	43.89	43.89		
Shareholder Yield (%)	4.32	4.31	4.34	4.32	4.28	4.39	4.32	4.39	4.32	4.39		
Ordinary Share Index, Hourly changes	Day 5 High 2113.9	Day 5 High 2113.9	Day 5 High 2113.9	Day 5 High 2113.9	Day 5 High 2113.9	Day 5 High 2113.9	Day 5 High 2113.9	Day 5 High 2113.9	Day 5 High 2113.9	Day 5 High 2113.9		
Open	2113.9	2113.9	2113.9	2113.9	2113.9	2113.9	2113.9	2113.9	2113.9	2113.9		
Close	2113.9	2113.9	2113.9	2113.9	2113.9	2113.9	2113.9	2113.9	2113.9	2113.9		
FT-SE 100, Hourly changes	Day 5 High 2707.5	Day 5 High 2707.5	Day 5 High 2707.5	Day 5 High 2707.5	Day 5 High 2707.5	Day 5 High 2707.5	Day 5 High 2707.5	Day 5 High 2707.5	Day 5 High 2707.5	Day 5 High 2707.5		
Open	2707.5	2707.5	2707.5	2707.5	2707.5	2707.5	2707.5	2707.5	2707.5	2707.5		
Close	2707.5	2707.5	2707.5	2707.5	2707.5	2707.5	2707.5	2707.5	2707.5	2707.5		
FT-SE Eurotrack 200, Hourly changes	Day 5 High 1226.8	Day 5 High 1226.8	Day 5 High 1226.8	Day 5 High 1226.8	Day 5 High 1226.8	Day 5 High 1226.8	Day 5 High 1226.8	Day 5 High 1226.8	Day 5 High 1226.8	Day 5 High 1226.8		
Open	1226.8	1226.8	1226.8	1226.8	1226.8	1226.8	1226.8	1226.8	1226.8	1226.8		
Close	1226.8	1226.8	1226.8	1226.8	1226.8	1226.8	1226.8	1226.8	1226.8	1226.8		
London report and latest Share Index												
To 0901 1200GMT. Calls changed at 3pm. Shares up 1.34p, 3p,												

## LONDON SHARE SERVICE

## AMERICANS

Notes	Price	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594	593</
-------	-------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-------

## INVESTMENT TRUSTS - Cont.

Notes	Price	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594
-------	-------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----



● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 825-2128.

**Continued on next page**

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-212

[illegible]

[illegible]

## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

## Dollar drops on housing starts

THE DOLLAR sank to a new three-month low against the D-Mark on the foreign exchanges yesterday on news of a bigger than expected monthly drop of 17 per cent in US housing starts for April, writes James Blair.

The US unit was trading at a low of DM1.585 shortly after lunchtime in European markets, as dealers feared that the sharpest monthly fall in housing starts for eight years would force the Federal Reserve to ease interest rates again.

When the rate cut failed to materialise at yesterday's Federal Open Market Committee (FOMC) meeting, the dollar regained some ground and closed at DM1.565, a 10 pence drop from DM1.575. Dealers said the dollar had been propped up by heavy bidding just below DM1.585 by two large German institutions and life insurance companies in Tokyo. In New York it ended at DM1.560/10.

However, analysts believe the case for a cut is much

stronger following the housing figures, and could come today, when the FOMC meets again. Mr Neil MacKinnon, chief economist of Yamachi International in London, said: "The balance of probabilities is for the Fed easing." He does not believe that the dollar weakness will last but thinks the currency could yet bottom out at DM1.56.

The dollar also lost ground yesterday morning to the yen on news that Japanese machine orders for March were up 14.6 per cent from the previous month. The figure brought a strong reaction from the markets, coming one day after news that the Japanese trade surplus in April was 13.4 per cent higher than for the previous month. However, the Fed's decision not to cut rates gave the US currency a temporary respite and it ended a little firmer at ¥129.10, and later closed in New York at ¥129.12. The D-Mark continued to perform strongly in the wake

of Monday's news that a large industrial strike had been avoided. Its best gain was against the French franc as traders took profits following last week's bullish performance by the French currency. The D-Mark finished at FF3.3634, up about 1/2 franc. Sterling's recent rise against the D-Mark also seems to have petered out as traders give up hope that the pound might cross its central rate against the German currency. The pound closed 1/2 pence down at DM3.9250. One London dealer suggested that the pound's decline against the D-Mark may have been due to profit-taking in sterling/dollar trading, after the UK currency reached a high point of \$1.8425 in London yesterday.

The Swiss franc made new gains following Switzerland's decision to formally apply for EC membership. The Swiss currency ended about 1/2 cent stronger against the dollar at Sfr1.4900.

## C IN NEW YORK

May 19	Close	Previous Close
1000-1000	1.0000	1.0000
1000-1000	1.0000	1.0000
1000-1000	1.0000	1.0000
1000-1000	1.0000	1.0000

Forecast premiums and discounts apply to the US dollar

## STERLING INDEX

May 19	Previous
1000-1000	1000-1000
1000-1000	1000-1000
1000-1000	1000-1000
1000-1000	1000-1000
1000-1000	1000-1000

## CURRENCY MOVEMENTS

May 19	Bank of England	Change
1000-1000	1000-1000	1000-1000
1000-1000	1000-1000	1000-1000
1000-1000	1000-1000	1000-1000
1000-1000	1000-1000	1000-1000
1000-1000	1000-1000	1000-1000

Source: Bank of England. Figures are for May 19

All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

\* All rates are for 100 units of foreign currency against 100 units of sterling

## FINANCIAL FUTURES AND OPTIONS

## LIFE LINE FUTURES OPTIONS

LIFE LONG GILT FUTURES OPTIONS				
ESTIMATED 64% OF 100%				
Strike Price	Calls-settlements		Puts-settlements	
	Jan	Sep	Jan	Sep
96	3-12	3-38	0	0-10
97	2-12	2-47	0	0-19
98	1-12	1-62	0	0-34
99	0-18	1-22	0-06	0-58
100	0-02	0-55	0-54	1-27
101	0	0-33	1-52	2-05
102	0	0-19	2-52	2-55
103	0	0-10	3-52	3-46
Estimated volume total: Calls 1297 Puts 1268				
Previous day's open int: Calls 64770 Puts 56833				

[illegible]

**4:00 pm prices May 19**

[illegible]

Continued on next page



## AMERICA

## Hopes of another rate cut lift Dow to record

## Wall Street

US SHARES, after trading in a narrow range on either side of opening values through most of the day, sprang to life yesterday afternoon and rose to a record level as investors responded to growing expectations of a further cut in interest rates in the wake of poor housing numbers, writes Patrick Harrington in New York.

The Dow Jones Industrial Average added 21.96 at 3,397.99, a shade above its previous record of 3,397.58 set on May 11, but turnover on the New York SE was light, with less than 150m shares changing hands. The Standard & Poor's 500 climbed 3.56 to 416.37, while the Nasdaq composite of over-the-counter stocks gained 1.52 to 578.06.

The day opened with the news from the commerce department that housing starts fell 17 per cent in April, more than three times the decline forecast. The drop in housing activity would normally have depressed stocks, but the fact that the data increased the likelihood of an easing of pol-

icy by the Federal Reserve restricted the damage.

Market sentiment was also aided by a fresh decline in bond rates, which in the case of the benchmark 30-year bond yield, fell to 7.75 per cent.

Uptake rose 3% to \$95% in turnover of almost 690,000 shares after the US Food and Drug Administration panel voted to allow the company to continue marketing its controversial Halcion insomnia drug.

The ADRs of British Airways jumped 3% to \$55% in active trading after the company reported a 119 per cent jump in earnings for the fiscal year ended March 31.

Dynion Hudson climbed 3% to \$62% on news of first-quarter net income of 40 cents a share, up from 39 cents a year ago and above the consensus of analysts' forecasts.

Polaroid firmed 3% to \$26 after Mr Morton Langer, the industry analyst at brokerage house Bear Stearns, initiated coverage of the stock with a "buy" rating.

On the Nasdaq market, Nova Pharmaceutical was unchanged at \$4% in active trading after the Baltimore-

based biotechnology company said that it had begun testing an anti-inflammation compound for the treatment of septic shock and inflammatory bowel disease.

Mesa Airlines moved ahead 2% to \$25% on the news that Kemper Securities had upgraded the carrier's shares and raised earnings estimates for the fiscal third quarter because of strong traffic gains and bookings.

South Carolina Federal advanced 3% to \$21% after stating that it was engaged in preliminary merger discussions with an undisclosed financial institution.

## Canada

TORONTO ended slightly lower after moderate trading. The composite index lost 6.1 at 3,385.3 as declining issues led rises by 295 to 268. Volume came to 22.5m shares valued at C\$253.7m.

Nine of the 14 sub-indices were lower, but there were no significant changes. Financial services and golds, the latter after early firmness, lost ground.

## Military might crushes Thai equities

The civil unrest has upset attempts to encourage investment, says Peter Ungphakorn

Share prices suffered their worst falls in history on the Bangkok stock market yesterday, the first day of trading since the military crushed protests against the appointment of General Suchinda Kraprayoon as a non-elected prime minister.

Prices of all but three stocks fell, and many hit their floor prices suffering declines of 10 per cent, the maximum permitted in a single day's trading. The SET index dropped 8.9 per cent to close at 667.84, down 65.05 from last Friday, its lowest close since December 1991. Monday was a bank holiday.

Stock market directors and members of the Securities and Exchange Commission said they had been watching the situation carefully to see whether the political crisis would justify closing the market.

They are scheduled to meet before the market opens this morning to decide whether the situation has eased overnight.

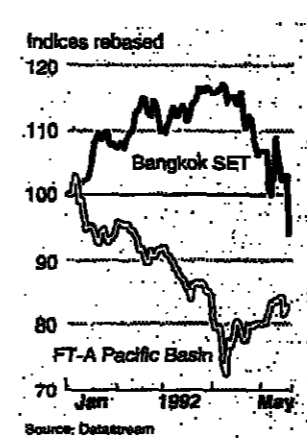
Mr Nibhat Bukkanasut, chairman of the SET board, said that Thailand's fundamental economic position remained sound and he urged investors to ignore rumours.

Trading was thin yesterday, turnover being about B\$1.1bn (\$123m). Investors in brokers' trading rooms were reported to be more interested in the previous night's violence and the many unsubstantiated rumours about further protests and other political developments.

One broker attributed the sharp setback in prices and the low trading volume to the difficulty of obtaining reliable information.

Television and radio coverage of political events has been heavily censored, and telephone connections were severely disrupted yesterday, apparently by the high volume of calls, as people all over Bangkok tried to find out what was happening.

One group of investors was



Source: Datastream

reported to have organised a petition calling for General Suchinda's resignation.

In the first quarter of the year, the market appeared to be heading for a recovery, after last year's global recession and the coup d'état in Thailand.

After the March 23 general election, the SET index climbed to reach this year's peak of 832.39 on April 7, the

day General Suchinda's appointment was announced.

Since then, the index has declined with increasing speed, except for a few days of short-lived recovery. The announcement on April 17 of General Suchinda's cabinet, which included a number of ministers from the government that he overthrew in last year's coup, and accused of being corrupt, set off sharper falls that only eased last week, when the crisis appeared to be resolved.

The nervous market has reacted particularly sensitively to political developments. On May 7, the index weakened 25.5 points in only about 10 minutes, the time General Suchinda took to make a controversial televised speech in parliament attacking his opponents.

For the SET, the political troubles come at an unfortunate time. Yesterday was the first day of trading under new legislation that is designed to

reduce manipulation and political interference, encourage more companies to list, and promote new types of equity and loan papers. One of the objectives is to increase national savings in order to meet the rapidly expanding economy's surging need for investment.

A new Securities and Exchange Commission has been created with powers to set broad policy guidelines for the SET, and to supervise new share issues and trading in existing shares both on the stock market and over the counter.

Companies listed on the SET will have to become public companies within the next two years. The new law seeks to make this more attractive by easing some of the stringent conditions of the previous public company law, such as the requirement that a large proportion of shares be owned by many small investors.

## EUROPE

## Bourses fall back after Monday's enthusiasm

MOST bourses fell back after Monday's gains, writes Our Markets Staff.

FRANKFURT consolidated, with news of a 5.8 per cent building workers' pay deal helping to maintain the equilibrium. Carmakers and engineers, which led on Monday after the settlement of the metalworkers' pay talks, were mixed and the main move came in chemicals.

At Hoare Govett, Mr Robert Willis took the view that the pay settlements and the removal of the solidarity tax in the second half of this year should give the German consumer, and German equities a good run between now and Christmas. The DAX and FAZ indices seemed to support this, rising another 4.53 to 1,753.26 and 2.43 to 710.56 respectively.

Turnover fell from DM8.3bn to DM7.2bn. BASF and Bayer led chemicals up with rises of DM3.50 to DM243.90 and DM4.40 to DM293.90. Companies with long-term problems shed the gains achieved on Monday as Deutsche Babcock fell DM4 to DM167.50 and Porsche going further with a drop of DM15 to DM490.

Linde added another DM8.50 to Monday's DM24 gain, closing at DM332.50 after its forecast of at least 10 per cent turnover growth this year and satisfactory profits.

Continental, rose DM2 to DM265.50 on reports that the state government of Lower Saxony was encouraging companies in the state to take stakes in the tyre maker and on rumours that Sumitomo of Japan was interested in the Conti stake owned by Pirelli.

PARIS ran into profit-taking and arbitrage ahead of the close of the account on Thursday. The CAC-40 index fell 25.51 or 1.4 per cent to 2,023.13 in modest turnover of FF2.2bn.

Générale des Eaux dropped FF50 to FF2.390 on news that

FT-SE Eurotrack 100 - May 19								
Hourly changes								
Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close	
1184.39	1185.22	1182.78	1182.51	1182.23	1181.27	1180.17	1180.66	
Day's High 1185.22				Day's Low 1179.25				
May 18	May 15	May 14	May 13	May 12				
1184.41	1171.24	1179.58	1187.91	1168.40				
Data as at 1000 C20/1992								

it was spending DM1bn in buying and modernising Berlin's Depla film studios.

The biggest loser of the day was the insurer UAP which dropped FF27 or 4.8 per cent to FF541 in arbitrage-related trading. Another casualty was Euro Disney which fell FF3.80 or 2.9 per cent to FF124.

Pirelli rose FF6.30 to FF371 amid talk that it was close to selling off its wood joinery activities.

MILAN fell back after Monday's brief recovery, dragged down by reports that Banca Commerciale Italiana (BCI) could face up to L1,000bn in back taxes and fines stemming from its takeover of a loss-making Milan state bank two years ago. The Comit index lost 1.85 to 472.80 in turnover estimated at L70bn-L80bn after Monday's L85.6bn.

BCI dropped L23 or 4 per cent to L2,916, dragging the rest of the banking sector down with it. Industrials bucked the weaker trend however, with Olivetti, gaining L47 to L3,032 and Fiat adding L6 to L4,941.

AMSTERDAM had a quiet day with the CBS Tendency index closing unchanged at 129.4. Fokker attracted some interest early on, rising 50 cents to FF36.60, following Monday's news that a consortium of European aerospace companies was negotiating to take a 51 per cent stake in the group. However, profit-taking pushed the price down to close 10 cents off at FF36.10, but above an intraday low of FF35.70.

KLM gained 10 cents to FF39.40 on rumours, later denied, that merger talks with BA had been reopened.

Unilever saw one of the day's biggest falls, losing FF1.00 to FF185.60 following its disappointing first quarter figures. However, some analysts feel that the group is in line for recovery, with earnings growth forecast for 1993.

STOCKHOLM recovered after a weak start to end flat. The Affärsvärlden general index eased just 0.2 to 998.4, in turnover of SKr580m.

Asea rose SKr4 to SKr377 after reporting a pre-tax profit of SKr624m in the first quarter, in line with expectations. But Volvo tumbled ahead of news that it swung to a pre-tax loss after financial items of SKr248m in the first quarter.

Volvo B free's lost SKr4 to SKr431 at the close and was quoted at SKr429 in London later in the day.

COPENHAGEN registered its fifth successive decline, the all-share index falling another 2.80 to 334.26. The shipping shares, Svendborg B and 1912 B, fell by DKr3.200 to DKr133.100 and DKr3.100 to DKr93.400 respectively. Low turnover, ahead of the June 2 referendum to clarify Denmark's future relationship to the EC, continues to plague the market, writes Hilary Barnes.

MADRID's general index eased 0.86 to 287.76. Telefonos continued to attract buyers following Monday's pleasing first quarter results, gaining Ptas10 to Ptas1,115 in volume of some 2.6m shares.

## ASIA PACIFIC

## Traders move in on higher yen and bonds

## Tokyo

EQUITIES gained further ground yesterday on the strength of the yen and higher bond yields, activity centring on trading of "environmental" and bio-technology issues, while leading institutions stayed on the sidelines, writes Emiko Terazono in Tokyo.

The Nikkei average was finally 311.01 ahead at 18,754.11, after opening at the day's low of 18,479.53 and reaching a high of 18,775.79 just before the close.

Volume rose from 216m shares to 330m. Traders said dealer activity led trading, while investment trusts were seen bargain hunting. They added that buying by foreign investors, who are reluctant to "chase" stock prices higher, has thinned out.

However, analysts said investor confidence was gradually recovering. Mr Jason James, strategist at James Capel, commented: "Investors, who previously were only willing to buy at the 17,000 level, came in to buy at the 18,000 level on Monday."

Advances far outnumbered declines by 833 to 172, with 118 issues unchanged. The Topix index of all first section stocks moved ahead 22.57 to 1,383.31, and in London the ISE/Nikkei 50 index put on 1.45 to 1,111.28.

Reports pointing to the possibility of postal insurance and annuity funds investing directly into the stock market also encouraged investors. Currently the funds can only be invested in the stock market through designated money trust accounts.

According to James Capel, if the plan were permitted, the direct investment by postal insurance funds could mean an inflow of ¥5,000bn into the stock market.

Buyers followed good company results. Traders said firm forecasts from some companies

were adding to the positive sentiment. Kyocera climbed ¥120 to ¥4,490. The semiconductor component maker posted a 27 per cent fall in pre-tax profits for the past fiscal year, but forecast a 6.8 per cent increase for 1992/93.

Mitsubishi Kasei rose ¥13 to ¥47 in spite of a 5.4 per cent drop in profits; it forecast a 5.4 per cent improvement for the current year.

Real estate issues continued to lose ground, with Mitsui Fudosan, which announced a pre-tax loss for the first time in 16 years, dipping ¥16 to ¥1,030, and Sumitomo Realty and Development after posting a 31 per cent fall in pre-tax profits, shedding ¥4 to ¥734.

Reports that Showa Denko would produce biodegradable plastic developed by Showa Highpolymer sparked renewed interest in the environmental protection theme. Showa Denko gained ¥43 to ¥340 and Japan Metals and Chemicals appreciated ¥20 to ¥790.

In Osaka, the OSE average moved forward 315.15 to 21,347.43 in volume of 19.4m shares.

## Roundup

THE worsening political situation in Bangkok had little negative influence on Pacific Basin markets yesterday as sentiment was buoyed by a stronger Tokyo. Manila registered a 1992 high.

HONG KONG traded in a narrow range and the Hang Seng index ended 5.15 up at 5,642.24 in HK\$2.23bn turnover. Brokers said rumours about HSBC's exposure to O & Y, of Canada, caused the bank to ease 25 cents to HK\$32.25.

MANILA reversed Monday's losses in active trade on bargain hunting. The composite index rose 21.84 to 1,338.95 in combined turnover of 443.8m pesos.

SEOUL was held down by weakness in large-capitalisation issues. The composite

index eased 0.08 to 557.97 in turnover of Won346.32bn.

TAIWAN saw late buying in financials, which helped to push the weighted index up 53.19 to 4,500.82. Turnover rose to T\$36.55bn from T\$22.67bn.

The market was buoyed by reports that the government might alter the stock transaction tax. The financial sector gained 4 per cent, with First Commercial Bank adding T\$6 at T\$7106, after officials said last week that they planned to ease curbs on banks doing business in China.

KUALA LUMPUR opened firmer and then wavered in a narrow range throughout much of the day. The composite index edged up 0.57 to 590.91. Retail investors again dominated trading as institutional support remained small.

Newly listed Peladang Kimia saw 6.2m shares traded and closed at M\$1.08 for a premium of 38 cents over its offer price. AUSTRALIA declined in lacklustre trading. The All

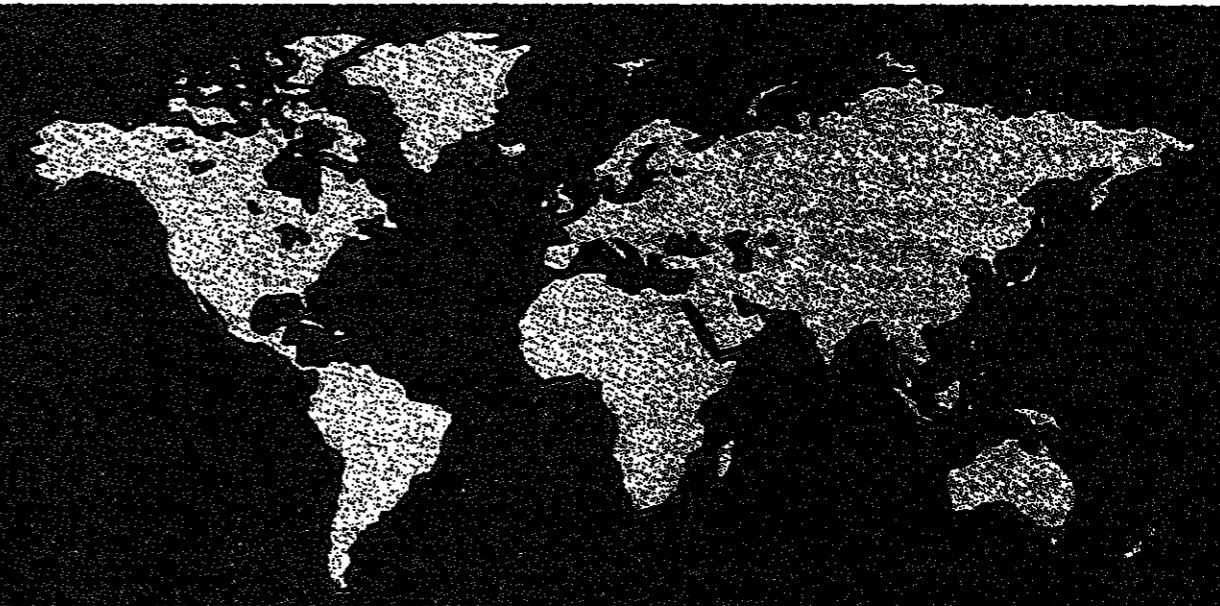
Ordinaries index lost 2.3 to 1,868.3 in turnover of A\$179.5m. Banks were weaker ahead of forthcoming interim results and the sector index shed 25.1 or 1.1 per cent, to 2,205.1.

Westpac lost 6 cents to A\$3.94 on rights issue rumours. National Australia, which releases its results tomorrow, dipped 10 cents to A\$7.95. ANZ, which reports next week, was off 7 cents at A\$4.36.

News Corp rose 12 cents to A\$31.62 on news that its UK satellite unit had won the rights to televise games of the leading British football teams. NEW ZEALAND recorded its seventh successive gain on the strength of firm overseas markets and the weak New Zealand dollar. The NZSE-40 index added 13.24 to 1,552.69.

Newspaper shares did well, with Independent Newspapers firming 10 cents to NZ\$24.75. SINGAPORE ended mixed in featureless trading. The Straits Times Industrial index edged ahead 3.08 to 1,498.88.

## Yesterday we were a regional communications company. Today our region's a little larger.



Ameritech began as the parent of the Bell companies that serve the Midwest, the most information-intensive area of the United States. Recognized as a leading communications company, Ameritech is a \$22 billion corporation that today brings its technological leadership and financial strength to all corners of the world.

In addition to pioneering fiber optic and ISDN technologies in the United States, Ameritech gave customers the world's first mobile telephone network. The company now is behind such innovative projects as bringing cellular technology to Poland, acquiring the Telecom Corporation of New Zealand and expanding a host of international services.

**Solutions that work:** The commitment to successful innovation has helped the company surpass \$10 billion in annual revenues and achieve the highest return to equity of comparable firms. This philosophy continues to drive Ameritech forward, leading the world in meeting customers' needs with advanced technology and giving a strong total return to our shareholders. For a copy of our Annual Report or related financial information, call Brussels, 32-2-512-0040.

## The Communications Companies of Ameritech:

- Illinois Bell
- Indiana Bell
- Michigan Bell
- Ohio Bell
- Wisconsin Bell
- Ameritech Audiotex Services
- Ameritech Credit
- Ameritech Development
- Ameritech Information Systems
- Ameritech International
- Ameritech Mobile Communications
- Ameritech Publishing
- Ameritech Services
- The Tigon Corporation

**AMERITECH**

© 1992 Ameritech Corporation

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY MAY 18 1992										FRIDAY MAY 15 1992										DOLLAR INDEX											
	Figures in parentheses show % change from previous day's close										Figures in parentheses show % change from previous day's close										Figures in parentheses show % change from previous day's close											
	US Dollar Index	Days Change	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % Chg on day	Gross Yield	US Dollar Index	Days Change	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % Chg on day	Gross Yield	US Dollar Index	Days Change	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % Chg on day	Gross Yield	US Dollar Index	Days Change	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % Chg on day	Gross Yield
Australia (69)	151.83	+0.8	122.48	123.40	126.78	132.77	+0.5	4.15	150.47	+0.8	122.50	123.84	126.30	132.05	+0.5	4.15	150.47	+0.8	122.50	123.84	126.30	132.05	+0.5	4.15	150.47	+0.8	122.50	123.84	126.30	132.05	+0.5	4.15
Austria (19)	171.15	+0.9	138.24	139.28	141.97	142.08	+1.5	2.08	168.53	+0.9	138.50	139.80	141.82	142.08	+1.5	2.08	168.53	+0.9	138.50	139.80	141.82	142.08	+1.5	2.08	168.53	+0.9	138.50	139.80	141.82	142.08	+1.5	2.08
Belgium (46)	144.81	+0.9	118.96	117.84	120.11	117.31	+0.0	5.19	143.48	+0.9	118.91	117.80	120.43	117.31	+0.0	5.19	143.48	+0.9	118.91	117.80	120.43	117.31	+0.0	5.19	143.48	+0.9	118.91	117.80	120.43	117.31	+0.0	5.19
Canada (115)	127.41	+0.5	102.91	103.99	105.65	110.48	+0.0	3.32	126.83	+0.5	103.34	104.38	106.45	110.48	+0.0	3.32	126.83	+0.5	103.34	104.38	106.45	110.48	+0.0	3.32	126.83	+0.5	103.34	104.38	106.45	110.48	+0.0	3.32
Denmark (15)	242.47	+0.4	155.85	157.33	161.12	203.47	+1.1	1.80	243.34	+0.4	156.26	200.27	204.26	205.69	+1.1	1.80	243.34	+0.4	156.26	200.27	204.26	205.69	+1.1	1.80	243.34	+0.4	156.26	200.27	204.26	205.69	+1.1	1.80
Finland (18)	80.27	+0.0	64.83	65.33	66.58	72.96	+0.0	1.98	83.81	+0.0	68.13	69.82	70.19	75.83	+0.0	1.98	83.81	+0.0	68.13	69.82	70.19	75.83	+0.0	1.98	83.81	+0.0	68.13	69.82	70.19	75.83	+0.0	1.98
France (104)	168.75	+2.4	136.31	137.33	139.97	141.82	+1.2	3.33	164.86	+2.4	134.35	135.89	138.38	140.18	+1.2	3.33	164.86	+2.4	134.35	135.89	138.38	140.18	+1.2	3.33	164.86	+2.4	134.35	135.89	138.38	140.18	+1.2	3.33
Germany (65)	122.89	+2.4	99.34	100.11	102.01	102.01	+1.2	2.27	120.11	+2.4	97.87	98.87	100.81	102.99	+1.2	2.27	120.11	+2.4	97.87	98.87	100.81	102.99	+1.2	2.27	120.11	+2.4	97.87	98.87	100.81	102.99	+1.2	2.27
Greece (10)	100.00	+0.0	75.00	75.00	75.00	75.00	+0.0	0.00	100.00	+0.0	75.00	75.00	75.00	75.00	+0.0	0.00	100.00	+0.0	75.00	75.00	75.00	75.00	+0.0	0.00	100.00	+0.0	75.00	75.00	75.00	75.00	+0.0	0.00
Ireland (16)	163.00	+1.7	131.66	132.96	135.21	137.42	+0.9	3.93	160.21	+1.6	130.54	131.85	134.24	136.07	+0.9	3.93	160.21	+1.6	130.54	131.85	134.24	136.07	+0.9	3.93	160.21	+1.6	130.54	131.85	134.24	136.07	+0.9	3.93
Italy (78)	69.45	+1.6	55.10	56.52	57.61	62.29	+0.5	3.39	68.39	+1.6	55.28	56.52	57.40	62.00	+0.5	3.39	68.39	+1.6	55.28	56.52	57.40	62.00	+0.5	3.39	68.39	+1.6	55.28	56.52	57.40	62.00	+0.5	3.39
Japan (47)	104.59	+2.9	84.48	85.12	86.77	95.12	+1.6	1.00	101.81	+2.9	83.60	84.33	86.03	94.50	+1.6	1.00	101.81	+2.9	83.60	84.33	86.03	94.50	+1.6	1.00	101.81	+2.9	83.60	84.33	86.03	94.50	+1.6	1.00
Malaysia (28)	123.28	+0.1	118.21	118.06	119.24	120.82	+1.1	2.52	123.56	+0.1	118.48	118.58	119.57	120.82	+1.1	2.52	123.56	+0.1	118.48	118.58	119.57	120.82	+1.1	2.52	123.56	+0.1	118.48	118.58	119.57	120.82	+1.1	2.52
Mexico (18)	160.47	+0.8	128.08	130.82	133.93	144.57	+0.7	0.15	167.17	+0.8	127.70	130.72	133.70	144.57	+0.7	0.15	167.17	+0.8	127.70	130.72	133.70	144.57	+0.7	0.15	167.17	+0.8	127.70	130.72	133.70	144.57	+0.7	0.15
Netherlands (25)	159.73	+1.0	128.02	129.99	132.49	131.00	+0.8	4.26	159.55	+1.0	128.07	129.17	131.74	130.16	+0.8	4.26	159.55	+1.0	128.07	129.17	131.74	130.16	+0.8	4.26	159.55	+1.0	128.07	129.17	131.74	130.16	+0.8	4.26
New Zealand (14)	46.49	+0.6	37.52	37.63	38.96	46.20	+0.9	5.54	46.19	+0.6	37.64	38.02	38.78	45.91	+0.9	5.54	46.19	+0.6	37.64	38.02	38.78	45.91	+0.9	5.54	46.19	+0.6	37.64	38.02	38.78	45.91	+0.9	5.54
Norway (23)	124.27	+1.2	101.21	102.51	104.25	106.82	+1.1	1.63	124.56	+1.2	101.48	102.58	104.95	106.25	+1.1	1.63	124.56	+1.2	101.48	102.58	104.95	106.25	+1.1	1.63	124.56	+1.2	101.48	102.58	104.95	106.25	+1.1	1.63
Singapore (36)	216.70	+0.4	175.03	178.76	179.75	192.92	+0.0	2.70	215.77	+0.4	175.82	177.55	181.11	182.92	+0.0	2.70	215.77	+0.4	175.82	177.55	181.11	182.92	+0.0	2.70	215.77	+0.4	175.82	177.55	181.11	182.92	+0.0	2.70
South Africa (61)	248.44	+0.2	201.48	203.00	206.90	196.41	+0.2	2.02	248.98	+0.2	202.49	206.99	196.06	203.00	+0.2	2.02	248.98	+0.2	202.49	206.99	196.06	203.00	+0.2	2.02	248.98	+0.2	202.49	206.99	196.06	203.00	+0.2	2.02
Spain (50)	180.85	+0.4	129.59	130.91	132.43	121.85	+0.3	4.99	180.15	+0.4	130.50	131.34	132.43	121.85	+0.3	4.99	180.15	+0.4	130.50	131.34	132.43	121.85	+0.3	4.99	180.15	+0.4	130.50	131.34	132.43	121.85	+0.3	4.99
Sweden (12)	199.88	+3.1	161.28	162.51	165.63	169.82	+1.5	2.98	195.60	+3.1	159.84	162.60	166.87	169.88	+1.5	2.98	195.60	+3.1	159.84	162.60	166.87	169.88	+1.5	2.98	195.60	+3.1	159.84	162.60	166.87	169.88	+1.5	2.98
Switzerland (2)	197.27	+2.2	84.64	87.31	88.99	87.43	+0.6	2.20	190.15	+2.2	85.41	87.19	88.65	87.43	+0.6	2.20	190.15	+2.2	85.41	87.19	88.65	87.43	+0.6	2.20	190.15	+2.2	85.41	87.19	88.65	87.43	+0.6	2.20
United Kingdom (228)	159.81	+1.6	116.47	116.68	116.61	161.47	+0.7	4.06	159.69	+1.6	116.27	116.31	116.08	162.20	+0.7	4.06	159.69	+1.6	116.27	116.31	116.08	162.20	+0.7	4.06	159.69	+1.6	116.27	116.31	116.08	162.20	+0.7	4.06
USA (52)	126.88	+0.5	135.92	136.96	139.59	168.28	+0.6	2.96	127.67	+0.5	136.34	137.31	140.45	167.32	+0.6	2.96	127.67	+0.5	136.34	137.31	140.45	167.32	+0.6	2.96	127.67	+0.5	136.34	137.31	140.45	167.32	+0.6	2.96
World (789)	156.64	+1.8	126.52	127.48	129.30	128.02	+0.8	3.80	155.87	+1.8	126.48	127.16	128.04	126.56	+0.8	3.80	155.87	+1.8	126.48	127.16	128.04	126.56	+0.8	3.80	155.87	+1.8	126.48	127.16	128.04	126.56	+0.8	3.80
Nordic (98)	164.89	+1.8	149.18	149.28	153.12	150.50	+0.3	2.15	162.40	+1.8	148.97	149.94	152.94	150.11	+0.3	2.15	162.40	+1.8	148.97	149.94	152.94	150.11	+0.3	2.15	162.40	+1.8	148.97	149.94	152.94	150.11	+0.3	2.15
Pacific Basin (717)	110.48	+2.5	89.24	89.92	91.94	90.66	+1.5	1.38	107.79	+2.5	87.85	88.72	89.48	89.93	+1.4	1.38	107.79	+2.5	87.85	88.72	89.48	89.93	+1.4	1.38	107.79	+2.5	87.85	88.72	89.48	89.93	+1.4	1.38
Europe (500)	156.51	+1.8	126.52	127.48	129.30	128.02	+0.8	3.80	155.87	+1.8	126.48	127.16	128.04	126.56	+0.8	3.80	155.87	+1.8	126.48	127.16	128.04	126.56	+0.8	3.80	155.87	+1.8	126.48	127.16	128.04	126.56	+0.8	3.80
North America (637)	165.71	+0.6	135.85	134.85	137.48	164.34	+0.3	2.96	164.78	+0.6	134.73	135.63	138.33	163.45	+0.3	2.96	164.78	+0.6	134.73	135.63	138.33	163.45	+0.3	2.96	164.78	+0.6	134.73	135.63	138.33	163.45	+0.3	2.96
Europe Ex. UK (541)	151.00	+1.8	126.52	127.48	129.30	128.02	+0.8	3.80	150.83	+1.8	126.48	127.16	128.04	126.56	+0.8	3.80	150.83	+1.8	126.48	127.16	128.04	126.56	+0.8	3.80	150.83	+1.8	126.48	127.16	128.04	126.56	+0.8	3.80
Pacific Ex. Japan (264)	165.55	+0.1	135.92	136.96	139.59	168.74	+0.2	3.18	165.37	+0.1	134.74	135.84	138.49	167.99	+0.2	3.18	165.37	+0.1	134.74	135.84	138.49	167.99	+0.2	3.18	165.37	+0.1	134.74	135.84	138.49	167.99	+0.2	3.18
World Ex. USA (1700)	151.38	+1.8	126.52	127.48	129.30	128.02	+0.8	3.80	150.77	+1.8	126.48	127.16	128.04	126.56	+0.8	3.80	150.77	+1.8	126.48	127.16	128.04	126.56	+0.8	3.80	150.77	+1.8	126.48	127.16	128.04	126.56	+0.8	3.80
World Ex. UK (1594)	151.38	+1.4	125.03	125.88	128.03	128.78	+0.9	2.72	150.38	+1.4	124.44	125.58	127.69	128.78	+0.9	2.72	150.38	+1.4	124.44	125.58	127.69	128.78	+0.9	2.72	150.38	+1.4	124.44	125.58	127.69	128.78	+0.9	2.72
World Ex. S. & A. (2161)	142.12	+1.5	114.80	115.68	117.80	126.75	+0.9	2.72	140.80	+1.4	114.10	115.39	117.59	126.65	+0.9	2.72	140.80	+1.4	114.10	115.39	117.59	126.65	+0.9	2.72	140.80	+1.4	114.10	115.39	117.59	126.65	+0.9	2.72
World Ex. Japan (1748)	164.32	+0.1	135.73	136.74	139.32	151.52	+0.6	3.29	163.76	+0.1	135.62	136.37	138.97	150.67	+0.6	3.29	163.76	+0.1	135.62	136.37	138.97	150.67	+0.6	3.29	163.76	+0.1	135.62	136.37	138.97	150.67	+0.6	3.29
The World Index (2222)	142.83	+1.4	112.37	116.25	118.49	127.29	+0.9	2.72	140.80	+1.4	113.74	115.89	118.19	128.20	+0.9	2.72	140.80	+1.4	113.74	115.89	118.19	128.20	+0.9	2.72	140.80	+1.4	113.74	115.89	118.19	128.20	+0.9	2.72



## WORLD BANKING 2

Regulators may use sanctions to enforce capital adequacy targets, writes Simon London

## Pressure for leniency resisted

THE DEADLINE by which international banks must comply with the Basle Accord on capital adequacy has not even been reached, but central bankers are already working on the next stage of prudential regulation.

Regulators are considering whether to enforce sanctions against banks which fail to meet the Basle targets, whether the original Basle agreement should be stiffened or slackened, and how new rules covering securities dealing should apply to banks.

Most international banks have until the end of this year to meet the Basle targets, with Japanese banks having until March 1993, the end of their current financial year.

From this time, all banks must maintain a minimum capital-to-assets ratio of 8 per cent. Moreover, half of total capital must be tier 1 or core capital, consisting of common equity and perpetual preference shares. The rest can be tier 2, or non-core, capital, including dated preference shares, subordinated loans and hybrid debt instruments.

Japanese banks may face the biggest problems in meeting

the full 8 per cent capital ratio by the deadline. The decline in the Tokyo stock market has eroded unrealised gains on large securities holdings. Under the Basle accord, 45 per cent of these unrealised gains can count as tier 2 capital.

In the early stages of the Japanese equity market crash, new tier 2 capital was raised in the form of subordinated loans, often from institutional investors such as insurance companies. However, this year the fall in equity prices has been so swift that new capital cannot be raised fast enough to offset the erosion.

IBCA, the credit rating agency which has specialised in the banking sector, estimated that the hidden reserves of the largest 20 Japanese banks shrank from ¥34,992bn (£148bn) to ¥18,693bn last fiscal year. With the Nikkei stock market average at around 17,000, most Japanese city or

commercial banks are close to, or below, the Basle target.

Japanese banks are not alone in facing problems. The recession has led to increased provisions against bad debt. The full extent of write-offs - against the property sector in the UK and US, for example - may not be clear for another year.

However, the Basle committee has so far resisted pressure to ease the targets, either by changing the required capital ratio, extending the deadline, or allowing new hybrid debt-equity instruments to count as core capital.

Experience shows that capital ratios can be improved quickly, if the right steps are taken. Citicorp, for example, had a full Basle ratio of just 6.52 per cent in 1990. At the end of March this year, the ratio had improved to 8.12 per cent.

The bank achieved this by raising new tier 1 capital,



Gerald Corrigan heads the committee of central bankers

mainly by placing preference shares cutting back on new loans and selling assets. For example, the sale of a controlling interest in Ambac, the financial guarantee insurer, both netted \$350m (£196m) in cash and removed \$25bn assets from the consolidated balance

sheet.

Indeed, far from easing the targets, regulators are now asking what sanctions should be imposed on banks which fail to meet the Basle targets. No punitive measures were included in the original agreement, which is a purely voluntary undertaking.

A committee of central bankers, headed by Mr Gerald Corrigan, president of the Federal Reserve Bank of New York, is looking at measures which could be taken against banks that are seen as inadequately regulated.

The committee was set up following the collapse of the Bank of Credit and Commerce International. National regulators feel that they have little control over the branches of foreign banks operating in their jurisdiction.

Central bank sources said that inadequately-capitalised banks would "by implication"

be subject to the same measures as inadequately-regulated institutions.

The main proposal before the Corrigan committee is that host country regulators should be able to assume additional regulatory powers over foreign banks operating in their jurisdiction. This could be achieved by forcing foreign bank branches to convert to separately capitalised subsidiaries, fully regulated in the host country.

National regulators are also taking unilateral action, building the Basle agreement into law. For example, the US Congress last year passed legislation giving the US regulators powers over under-capitalised banks.

The law allows "critically under-capitalised banks" to be placed under the control of the regulators, even though they are technically still solvent. Under which circumstances

these powers could be used has yet to be described.

International regulators have also turned their attention to the securities business - including the securities operations of banks. New capital rules governing market risks such as underwriting, foreign exchange dealing, and bond trading could impose an additional burden.

Regulators argue that new rules should not lead to banks having to provide additional capital. Most securities holdings are already covered by the "broad brush" approach of the

Basle agreement. However, it is clear that more detailed rules will encourage banks to become more sensitive to the capital implications of types of securities business - running long positions of non-government securities, for example.

Basle agreement. However, it is clear that more detailed rules will encourage banks to become more sensitive to the capital implications of types of securities business - running long positions of non-government securities, for example.

Banks may also be more careful about allocating scarce capital resources between different parts of the business.

Rules are being drafted by the European Commission, the International Organisation of Securities Commissions (IOSCO), and central bank regulators meeting in Basle.

The Basle committee and IOSCO have co-operated and hope to publish a first draft by the end of the summer. The capital adequacy directive has passed through several drafts, but remains stalled by political wrangling.

Bankers are concerned that the rules should give them equal treatment with non-bank securities firms. Some issues on this score have now been settled. For example, banks will probably be able to raise short-term subordinated loans - a type of tier 3 capital - as backing for positions, in the same way as non-bank firms.

But several areas remain controversial, such as the treatment of large securities exposures, capital backing for underwriting risks and the netting of short and long bond holdings.

Acquisition or alliance? Peter Montagnon on a single-market dilemma

## Consolidation starts at home

THE DEVELOPMENT of the European single market has confronted bankers with a dilemma.

On the one hand, they feel under pressure to expand across the national frontiers that have hitherto divided the European Community. On the other, they know that, even if the theoretical barriers to such expansion have broken down, differences of market practice and tradition remain a formidable obstacle.

The problem is less acute with specialised wholesale banking, which is more or less a global business anyway, than with retail banking, which requires a physical presence in the foreign market.

That raises the question of how such a presence should be established. Should it be through acquisition and merger, or by collaborative alliances which may involve an exchange of shares? Or should it come through a direct attempt to establish a presence

from scratch?

Of all these options, the latter is probably the most difficult of all. Customer preferences are deeply ingrained in national retail markets, and newcomers face stiff psychological resistance; but that does not mean the alternatives

In the Netherlands, a merger has produced a bank powerful enough to deflect outsiders from harbouring ambitions in the Dutch market

are easy either.

Though the run up to the single market has seen some cross-border acquisitions of retail banks, such as the purchase by Deutsche Bank of Banca d'America e d'Italia, bankers generally reckon that such an approach has many pitfalls for management unfamiliar with the territory into which they are expanding. The

trouble is that collaborative alliances can also prove fragile and not particularly lucrative.

One of the older of such alliances is that between Banco Santander and the Royal Bank of Scotland, which involves the Spanish bank holding a 10 per cent stake in its Scottish partner. The relationship has allowed the Royal Bank to develop and market an online service, giving its UK customers effective access to Santander branches. This is now being extended to other European countries as well. Yet it is difficult to detect ways in which the relationship has been a dynamic generator of profits over the years. A cynical view might be that the greatest benefit of the arrangement, which also involves a Royal Bank stake of just over 2 per cent in Santander, is that it discourages outsiders from bidding for the Royal Bank.

Last year, meanwhile, saw the failure of efforts by Crédit Lyonnais and Commerzbank to agree the terms of a collaborative alliance, apparently following differences over strategic direction after German unification and a clash over Crédit Lyonnais' ambition to adopt a dominant role. Negotiations on a share swap between Dresdner Bank and BNP are proceeding, though this is clearly a lengthy process. In the meantime, the main thrust of their collaboration has been in countries outside the EC, such as Switzerland and Hungary.

It is thus ironic, but not surprising, that one of the main trends of European banking in the run-up to the single market has been for the industry to consolidate at national level. In this context, Lloyds' interest in acquiring Midland scarcely seems out of place, even if it does pose competition policy problems in the UK. According to the OECD, the number of European bank mergers within national borders is running at nearly twice those across bor-



Crédit Lyonnais failed to agree an alliance with Commerzbank, after a clash over the French bank's wish to adopt a dominant role

ders within the Community.

The trend is clearly seen in the experience of Dutch banking. After the failure in 1989 of the proposed merger between Amro Bank and Generale de Banque, of Belgium - attributed in part to the difficulty of maintaining separate identities for the two banks within their old home markets - the Dutch bank turned instead to a

merger with its compatriot, ABN. The result is a bank powerful enough to deflect outsiders from harbouring ambitions in the small Dutch market, while also being of a size large enough to expand abroad.

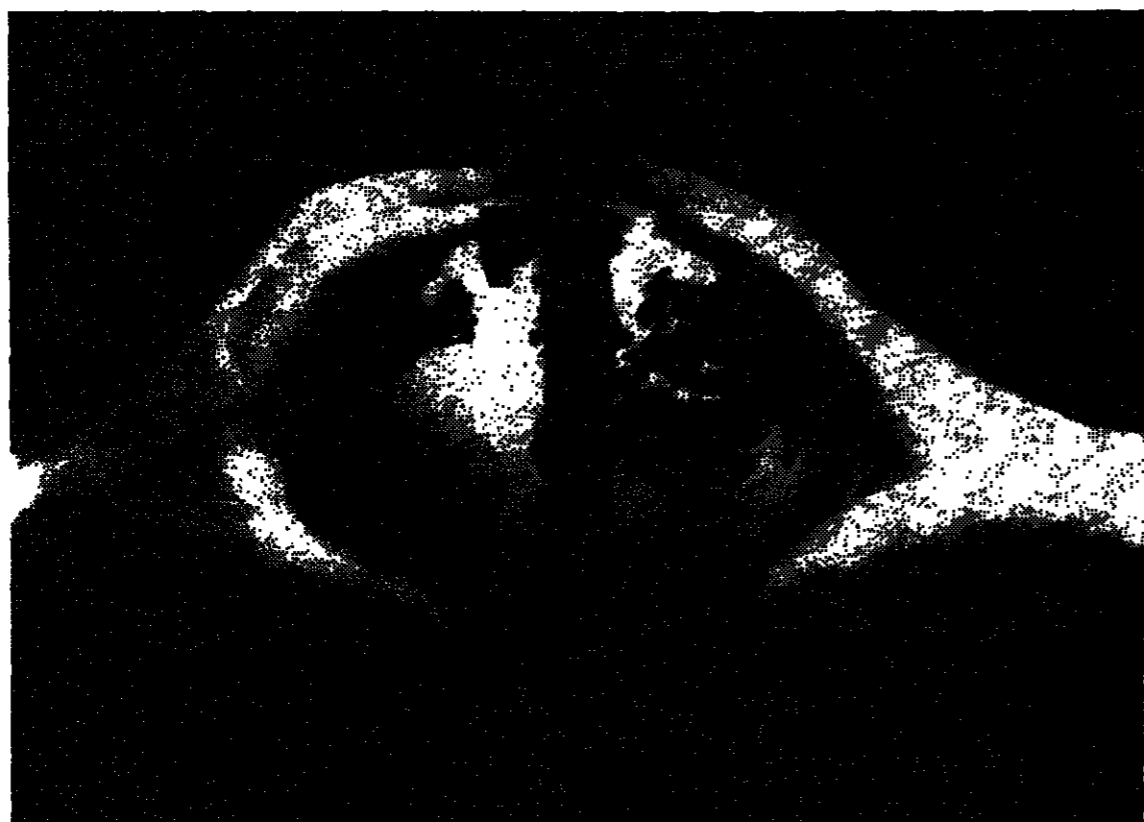
The trend to consolidation is yet more marked in the countries of southern Europe, where banking was less well developed before the single

market concept was launched. Having realised that its high margins made Spain a juicy prospect for foreign banks, the authorities there actively promoted a process of consolidation, starting with the merger of Banco Bilbao and Banco Vizcaya in 1988. The process was far from easy, but has produced results in the form of significant cost

savings. Under its Amato law, which confers tax privileges on banks which merge, Italy is belatedly following suit. The prime motivation may be the modernisation of the industry and financial system in a way that will discourage predatory foreign banks; but mergers in the home market also appeal, because they create much greater scope for cost savings.

Lloyds, for example, has identified some £700m annually that could be saved if it were allowed to amalgamate with Midland. The alternative offered by the Hongkong and Shanghai Banking Corporation is a strategy of regional synergies, whose benefits are harder to quantify.

A similar lesson emerges across the Atlantic, where mergers such as that between Manufacturers Hanover and Chemical Bank have as much to do with the cost savings from rationalisation than with a desire to benefit from liberalisation of interstate expansion. The US, it will be recalled, already has the benefit of a single currency. Only when that comes to Europe, too, are cross-border mergers of banks likely to make a great deal of sense.



## ARAB BANK

The most experienced Arab Bank  
brings our worlds together

With over 60 years of growth and experience, we are the largest international financial institution in the Arab World. With more than 100 of our branches and affiliated offices all over the world and branches in all the major financial centres, we have created a complete range of services from the simplest funds transfer to the most complex trade and project financing. Our branches and affiliates span four continents: Asia, Africa, Europe and America.



A look at our 1991 figures shows over 17.5 billion U.S. dollars in assets, an increase of over 2 billion dollars from 1990. Total shareholders equity increased from 903 million U.S. dollars to 953

million. Also, deposits in 1991 reached 13.4 billion U.S. dollars, an increase of 1.4 billion U.S. dollars from 1990. Call us at any of our following major centres:

London (71) 315 8500  
Paris (01) 43 59 34 34  
Zurich (01) 265 7111  
New York (212) 715 9700  
Singapore (65) 533 0055  
Bahrain (973) 25 63 98  
Sydney (02) 232 4133



FOR YOUR BUSINESS



Count on Cariplo for speed and efficiency for all your banking needs. Whether it's financial, commercial or overall assistance. Count on the great experience of a bank born and bred in Milan, linked in real-time to 600 branches throughout Italy. Count on a sound capital base of 5,000 million dollars. Count on the professionalism of a group represented in Athens, Beijing, Berlin, Brussels, Budapest, Chicago, Frankfurt, Grand Cayman, Hong Kong, London, Luxembourg, Madrid, Moscow, New York, Paris, Seoul, Tokyo and over 1,800 correspondent banks. If you have a problem or just want advice, you can always count on Cariplo.

**CARIPLO**  
SINCE 1823 WE KNOW HOW.  
Member of the Securities and Futures Authority

## WORLD BANKING 3

## The top 10 US banks, based on 1991 year-end assets

	Assets (\$bn)	1991 net income (\$m)	% change on year	1st qtr 1992 net income (\$m)	% change on year	Common equity to assets (\$m)
Citicorp	276.9	(457.0)	n.m.	183.0	+97	3.40
Chemical Banking	138.9	154.0	-85	280.0	+44	4.10
Bank America	115.5	1,124.0	+28	303.0	+7	5.83
Nationsbank	110.3	201.9	-88	319.0	+95	5.67
J.P. Morgan	103.5	1,114.0	+44	295.0	+10	5.39
Chase Manhattan	98.2	820.0	n.m.	141.0	+20.5	4.36
Security Pacific	76.4	(774.5)	n.m.	(486.5)	n.m.	4.11
Bankers Trust	64.0	667.0	0	178.0	+9	4.55
Wells Fargo	53.5	21.0	-97	119.0	-22	5.24
First Chicago	49.0	116.3	-53	60.7	+23	5.1

\*Figures have been restated to show combined data for Chemical Banking and Manufacturers Hanover.

†BankAmerica and Security Pacific have not stated their pro-forma 1991 results. When unified, the merged bank will rank as the second largest commercial bank.

‡Figures have been restated to show combined data for both NCNB and C&S/Sovran, which merged on December 31, 1991, and is now Nationsbank.

Source: company report

Research: Rivka Nachman



Alan Greenspan has expressed his support for interstate branching, but doesn't think legislation will occur this year

America's banking system is bloated with excess capacity, and the need to streamline has become urgent, writes Alan Friedman

## Merger wave continues amid hopes for interstate reform

IT HAS been a time of reckoning for America's commercial banks, a time of facing the realities of lean economic times, the mistakes of the past and the need to restructure.

The past 18 months have seen huge loan losses at some of the largest US banks, many of them caused by the crisis in the commercial real estate market and the lending-like plunge into such lending by many banks in the latter part of the 1980s.

Yet bankers rarely seem to learn from their mistakes. Late in recognising their problems, as they were in the sovereign debt crisis of the early 1980s and in the leveraged buy-out leading a few years on, many American bankers were last year forced not only to make record-level bad debt provisions, but to confront a more fundamental and more

state laws around the country. But the system is not uniform.

The US, with all its potential economies of scale, is thus one of the few western countries that does not allow its high street banks the right to operate nationally. This, in turn, can create enormous and excessive administrative costs. For example, a bank must have separate boards and administrative operations just to have branches on both sides of the Hudson River in New York and New Jersey.

The interstate banking debate flared again recently, when authorities in Washington gave savings banks the right to go national. Both complaints and then lawsuits began flying at the savings bank regulators from smaller, independent banks, while the big commercial banks simply became furious.

Mr Alan Greenspan, chairman of the Federal Reserve Board, has expressed his support for interstate banking on several occasions, most recently in a speech in Chicago this month. The Fed chairman said there would be "significant cost savings" in the mega-mergers that could follow the passage of such legislation.

"Market forces will ultimately prevail," Mr Greenspan argued, but he added that he didn't think such banking legislation would occur in 1992. Rather, he predicted that a helpful political climate would favour the legislation in 1993.

Mr Greenspan's political instincts were, as always, fine-tuned. Few Washington insiders expect interstate banking to be approved during a presidential election year, when the White House is doing its best to alienate as few special interests as possible.

Yet the wave of mergers that would undoubtedly expand with such legislation is already under way. Last year saw three giant mergers, beginning with the joining of Chemical Bank and Manufacturers Hanover Trust in New York.

The Chemical merger not only created the third biggest US bank, with \$136bn of assets,

it also will result in more than \$750m of annual cost savings over the next three years. Already this year, Chemical is ahead of its target, proving that one can slash back-office costs by a substantial amount — and especially when the banks being merged are in the same market.

The marriage of Bank of America and Security Pacific in California — really more of a rescue of the troubled SecPac

— is another example of how costs can be cut in a transaction in the same geographic market. The projections from California call for \$1.2bn of annual savings by 1995, with up to 12,000 of the combined bank's 91,000-strong workforce being made redundant.

The third big merger, between NCNB of North Carolina and C&S/Sovran of Georgia, was across state

boundaries, but it would undoubtedly benefit even more if full interstate branching laws were on the federal books.

Mergers are, of course, not the only solution to America's banking woes. The strengthening of capital ratios is another priority for many regulators, and banks have gone some distance to bolstering their bases by selling off less strategic assets. The toughest challenge is faced

by Citicorp, the biggest US bank and ironically the weakest of the top 10 in terms of capital ratios.

Citicorp's problems, including its heavy real estate exposure, have been the constant subject of speculation in the banking community. Mr John Reed, the chairman of Citicorp, has been sharply criticised for sloppy management of the bank by many of his peers.

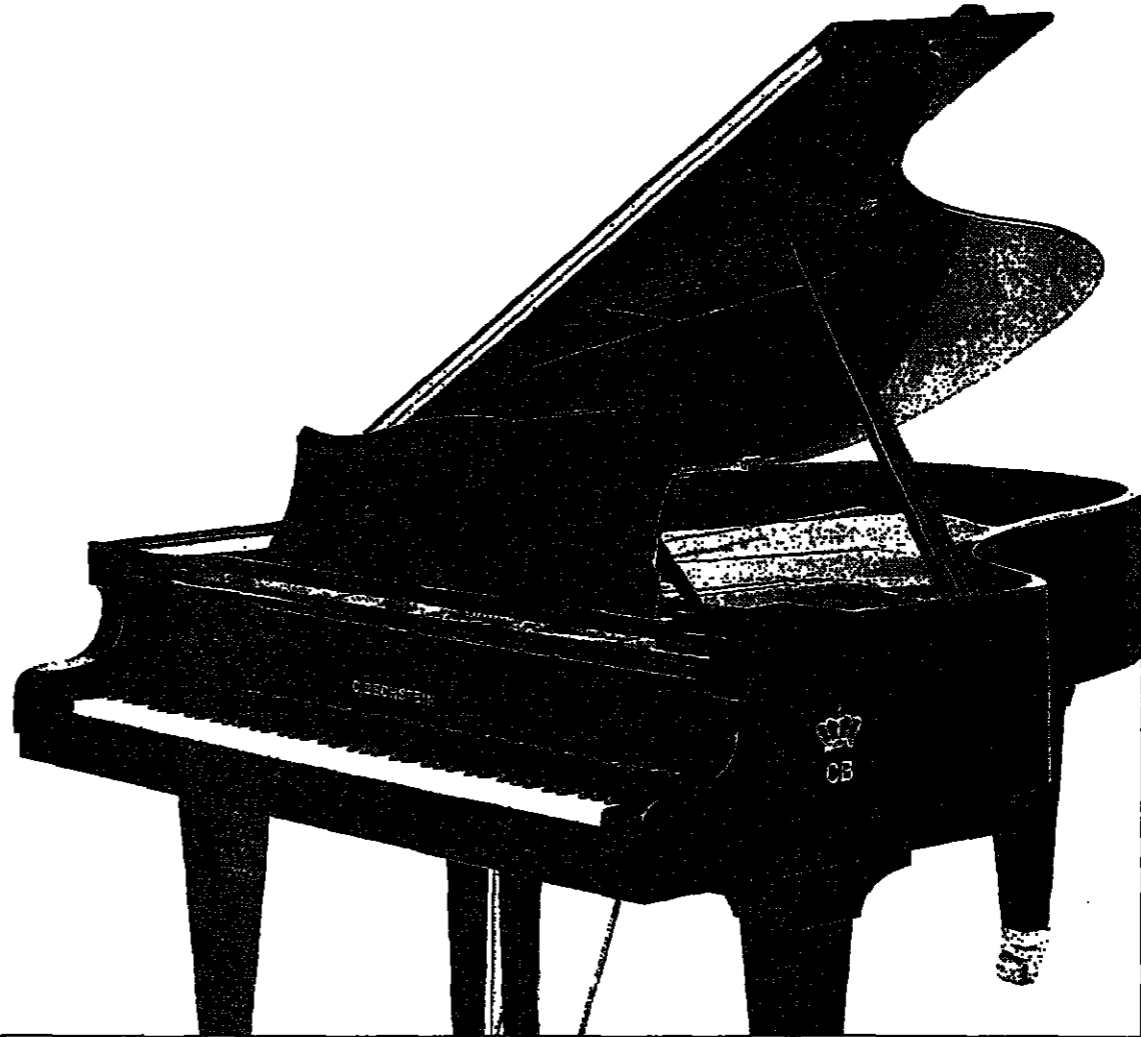
Mr Reed, however, is determined to strengthen the bank's capital and clean up the mess as soon as possible. And there have been signs he is making progress.

Looking ahead, it seems fair to say that some of the worst of the problems facing the US commercial banking sector are over. The skies, as Mr George Salem, of Prudential Securities, put it recently, appear to be clearing.

A recent analysis of prospects for US banking, by Salomon Brothers, suggested that perceptions of the real estate crisis have now shifted from being "life threatening" to being more in the "nuisance" category. That may be a trifle facile, because it is hard to generalise. Bad debt provisions will still be very high this year at a number of US banks. But at least one can begin to see recovery down the road.

*As you can well imagine, you need a lot of talent to build an estate. That's why some bankers do only that.*

*Independent and personally responsible, they think of each private and institutional estate as a major work that is worthy of their fullest attention. They know a personal relationship goes hand-in-hand with solid investment research, in-depth performance analyses and continuous counselling. They know it takes a lot of work to create a masterpiece.*



GROUPEMENT DES BANQUIERS PRIVÉS GENEVOIS  
*A vision of liberty*

In Geneva:

BORDIER & Cie (1844) - DARIER, HENTSCH & Cie (1796) - LOMBARD, ODIER & Cie (1798) - MIRABAUD & Cie (1819) - PICTET & Cie (1805)

The Groupement des Banquiers Privés Genevoises is not regulated in the United Kingdom and does not carry on regulated business in the United Kingdom. This advertisement has been approved by Lombard Odier, Darier, Henschel, Mirabaud, Pictet & Cie, members of BORDIER & Cie.

**BANK EUROKOSMOS**

is a bridge between  
East and West Europe.

We are doing our best to work to western standards. Bank Eurokosmos provides you with a wide range of banking services, but our main specialization is to serve western investments in Russia. We know the country and we know the people.

A part of our authorised capital is paid in hard currency. Bank Eurokosmos has the licence for carrying out banking transactions in foreign currencies.

We have a branch in Zelenograd, a free economic zone near Moscow.

Please, contact us, we are always ready to help you.

Head Office: 103051 Moscow,  
Makiy Sukharevskiy Lane, 9  
Address: 103051 Moscow,  
Box 233  
telex: 411700 (box 2105)  
fax: (7-095) 292-65-11 (box 2105)  
phone: 208-02-87  
Zelenograd Branch: 103489 Moscow (Zelenograd),  
Vostochno-Kommunalnaya Zona,  
phone: 534-46-20

**Industrial Commercial AvtoVAZbank**

according to the rating takes the third place among the commercial banks of Russia and has a wide network of branches, affiliates and representatives.

Official bank auditor is the firm Price Waterhouse.

Addreses and contact telephones:

In Moscow: 125205, Moscow, New Arbat, 38 Tel: 290-8051  
In Yeghlyat: 445053, Samara region, Yeghlyat, Voroshilov, 33  
Tel: 45-5255  
In Wien (Austria): A 1010 Wien, Austria, Freyung 4, Palais Kinsky.  
Tel: 513-0530.

## WORLD BANKING 4

Stefan Wagstyl considers Japan's difficulties

## A cloud over credit

JAPANESE BANKS face their most severe financial recession since the second world war. Fears that they might not be able to cope with the strain are so widespread that the authorities last month took the unprecedented step of announcing estimates of banks' financial results, and gave an official assurance about the health of the banking system.

The banks' main problem is a shortage of capital, compounded by an increase in bad loans caused by the collapse of the financial boom of the late 1980s when stock and land prices soared.

At the same time, a slowdown in the Japanese and world economy is reducing openings for profitable new business, so limiting the opportunities for banks to restore their balance sheets with increased profits.

Bankers say it could take five years to get over the difficulties caused by bad loans. It is premature to talk of a credit shortage - since loan demand is sluggish in Japan due to the economic slow down. But any recovery could be stifled by the lack of credit. At the very least, borrowers at home and abroad could find credit more difficult to secure than at any time since the 1970s, and more expensive.

The outlook is not wholly bad - banks have responded rapidly to the challenge, weeding out unprofitable business and concentrating on boosting profits. The stronger banks will remain formidable competitors in domestic and international markets; the weaker are in danger of losing their independence.

Also, even though deregulation has reduced the Japanese authorities' ability to control the markets, both the Bank of Japan and the Ministry of Finance have made it clear that they will support the banking system. The authorities are determined Japan should not suffer the ignominy of its first post-war bank bankruptcy. "Our banking system is very sound. Excessive concern is unnecessary," says a ministry official.

Furthermore, if Japanese banks are suffering, so are many of their international competitors, as shown by the current cash crisis at Olympia & York, the Canadian property developer.

The finance ministry said operating profit for all 153 Japanese banks rose 26.8 per cent to ¥3,659bn (£15.5bn), boosted by declining interest rates. Pre-tax profits fell 17 per cent to ¥2,799bn, due to aggressive write-offs for loans and investment losses, including those related to the property market. Net after-tax profits fell 24 per cent to ¥1,375bn.

These figures show how banks have exploited recent declines in interest rates to increase their lending margins, and their success in cutting costs. However, the results are historic. More important is the amount of capital banks have for the future and the extent to which this will be eroded by write-offs on bad loans.

The problem is to meet the international capital adequacy standards set by the Bank for International Settlements, which come into force at the end of March 1993. Most leading banks met the BIS standard of 8 per cent ratio of capital to assets at the end of March 1992. But Japanese banks count as capital a portion of their unrealised gains in securities - and these were hit by the stock market's sharp fall since March.

Banks can improve their capital adequacy ratios either by boosting capital or by cutting asset growth. Japanese banks have done both: they raised equity until the stock market plunged in 1990, then they took out subordinated loans, which for BIS purposes count as a form of capital. Meanwhile, they cut asset growth sharply - from a peak of above 15 per cent in the late 1980s, to an estimated 4 per cent in the year to the end of March 1992.

Banks plan very small increases in assets this year - and little or no growth in overseas assets. However, they intend to wait until the second half of the year before they made any drastic decisions, such as turning away needy borrowers. They hope that the current extreme weakness in the stock market will prove temporary. Borrowers in some sectors, notably property, are squealing for credit. But their problems do not stem from BIS-imposed constraints, but from the worldwide plunge in property prices.

Fortunately for Japanese

banks, BIS rules contain no sanctions. It will be for the Japanese finance ministry to decide what penalties to impose - and it is unlikely to do anything which might undermine the banks' interests at such a delicate time. US and European regulators are also unlikely to put pressure on Japan for fear of the possible impact on international confidence in Japanese banks.

Much depends on how much bad debt needs to be written off. According to the finance ministry, write-offs for all banks rose sharply last year to ¥836.8bn. The ministry estimates leading national banks had ¥7,000bn-¥8,000bn in bad loans at the end of the fiscal year, that is loans on which no interest had been paid for six months. However, all but ¥2,000bn-¥3,000bn was covered by collateral, said the ministry. Since, even after recent stock market falls, banks had unrealised portfolio gains of ¥17,000bn, banks could easily cope with bad loans, said the ministry official.

Industry analysts put total bad loans at up to ¥20,000bn, sometimes more. However, much depends on how such loans are calculated. Similarly, the value of collateral is often difficult to establish, given that much of it is property and the property market is now weak.

Squeezed by the shortage of capital and mounting bad loans, bankers are naturally cautious about new lending. They are seeking better security and higher margins than in the high-growth years of the late 1980s. They are also likely to favour old-established blue-chip Japanese companies over other customers they may know less well. However, since blue-chip borrowers pay lower rates of interest than most clients, even they may find credit a little tighter. For example, banks have been asking customers with large cash balances as well as borrowings to use a portion of these balances to repay debt.

But with the Japanese economy still slowing and companies cutting inventories, it is too soon to forecast how severe any credit shortage might be. Certainly, those who know they will need funds next year, to refinance existing borrowings or bonds which fall due, are worried.

EUROPEAN MONETARY union - a single currency across the member states of the European Community - would have profound effects on the banking sector. But the winners and losers are far from clear at the moment, and the changes may well be gradual rather than dramatic.

One impact would be on the foreign exchange markets. A unified European currency would mean that there would no longer be any trading between the various countries' monetary units - and thus on the foreign exchange profits of banks.

Mr Christopher Ellerton, banking analyst at Warburg Securities, says this point should not be over-emphasised. The bulk of foreign exchange trading is currently on the dollar/yen, dollar/Deutsche Mark and sterling/dollar cross-rates. Such trading would not be affected by a unified currency, save that the D-Mark might be replaced (in name, at least) by the Ecu.

Nevertheless, some of the smaller currencies will have provided lucrative niche markets for forex traders. And, of course, Europe's tourists will not need to change their money every time they cross a border - and pay banks commission income on each occasion.

One researcher set off from Brussels to visit all 12 Community nations with EFr1,500. Rather than spend any money, he simply exchanged his cash for the local currency in each place. By the time he returned,

NORDIC BANKS incurred heavy losses last year, and the events of early 1992 suggest that many are again likely to suffer from substantial credit losses and a high level of non-performing loans.

With hindsight, bankers claim that the rapid deregulation of the Nordic countries' financial markets during the 1980s is partly to blame for the sector's woes.

Finland, Sweden and Norway led a sheltered existence, with strict controls on lending. When restrictions were lifted in the mid-1980s, banks scrambled to lend to companies and individuals, often paying little heed to creditworthiness.

The consequences, particularly to the real estate sector, became only too clear in the 1990s as the Nordic economies were hit by recession.

In Sweden, the government announced this month that it

Banking sans frontières? Technology may help

## Winners and losers in a European game

he was left with only BFr596, less than half his starting capital.

A unified European currency would, of course, mean that the same level of interest rates would prevail across the Community. Given that UK interest rates have tended to be higher than the European average, this might affect some UK banks, according to Mr John Aitken, banking analyst at County NatWest. UK banks have been used to a high level of interest rates, which creates an "endowment effect" on their profits, by charging high rates for loans and offering low returns on current accounts.

But what about the dream of a genuinely open European banking market, with banks of all nations offering services to customers across national markets? It may take a long time to appear, according to some experts.

It is difficult to imagine retail banking products being readily sold across European

boundaries within the next 10 years, according to Mr Aitken. Products are difficult to compare, because of the different ways that banks can charge - some via straight fees, some via higher rates for overdrafts, and the subsidy different services on offer. "Most people will vote with their national prejudices," says Mr Aitken. "Banking products are not readily exportable," according

Cultural differences could mean that progress will be slow

Mr Ellerton, at Warburg. Technology may break down some of the barriers. Services such as Directline insurance (a subsidiary of the Royal Bank of Scotland) may set a trend for telephone-based financial services. The FirstDirect telephone banking services is the kind of product which might be relaunching (via a different name) in other EC countries. But the sheer strength of the branch networks built up by banks on the continent and in

the UK means that acquisition and merger are much more likely routes to cross-border banking links, than direct competition.

Even before monetary union, the prospect of the single European market, due to come into force at the end of this year, had prompted a number of cross-border banking deals.

Some deals have been unambitious, such as a five-bank deal signed in 1991 which allowed customers of Crédit Agricole of France, Rabobank of the Netherlands, Banco Ambrosiano of Italy, Lloyds Bank of the UK and Bayerische Vereinsbank of Germany access to each other's branches.

The best known link is the Deutsche Bank takeover of Morgan Grenfell, but there have been a number of deals in the field of fund management. Here, the trend has been for continental banks to take over UK investment groups, in search of the generally acknowledged equity management expertise that London-based companies are perceived to have.

A single currency ought to put a premium on such skills. Investment institutions have traditionally held the bulk of their assets in their own markets, in part because of currency risk. With a unified currency, domestic and other EC assets ought to be interchangeable; as a consequence, institutions should shift a far greater proportion of their portfolios into other European markets. They will need international managers to look after those assets.

On the retail front, fund managers hope eventually to sell mutual funds Europe-wide via the Ucits (undertakings for collective investments in transferable securities) system. The "international rich", who often live in more than one country, are the ideal target market.

Banks have traditionally dominated the investment market on the continent, and thus should benefit from any cross-border Ucits growth. But to date, the bulk of Ucits money has merely moved to Luxembourg from other offshore centres as investment companies have moved to centralise their cross-border funds.

Again, a single currency ought to help the growth in Ucits investment. But cultural differences, such as continental preference for bond over equity investment (and the reverse bias in the UK), could mean that progress, as in other financial services fields, will be slow.

Philip Coggan

Nordic players blame the new rules

would nationalise Nordbanken, as the bank faced mounting credit losses and was in danger of failing to meet the capital adequacy requirements set out by the Bank for International Settlements. Nordbanken, which was already state-controlled, ran up credit losses of SKr10.5bn (£1bn) in 1991.

The government's SKr20bn rescue package came only a few weeks after it had been forced to announce a SKr7.3bn rescue package for Första Sparbanken, the troubled savings bank hit by heavy losses in the property and construction sector last year.

So far, the credit losses have related mainly to the real estate and finance companies. However, some analysts express concern that, as unemployment in Sweden looks set

to rise, the next wave of bad loans could arise in the private sector as households find it difficult to repay their debts.

In Finland, the central bank was forced to propose a rescue package for the banking sector in March, having already

When restrictions were lifted, banks scrambled to lend, paying little heed to creditworthiness

stepped in to take over Skopbank, the country's main savings bank.

The rescue package consisted of measures to bolster the banks' capital adequacy ratios and restore confidence in the sector by setting up a new FM20bn (£2.5bn) govern-

ment deposit guarantee fund.

The Finnish economy is suffering from a deep recession, due partly to the collapse of trade with the former Soviet Union and the downturn in the forestry sector. The government was worried that banks would have to cut back their loans in order to meet the 8 per cent capital adequacy requirement, leading to a credit crunch and hindering an eventual recovery in the economy.

Last year was also a bad one for the Norwegian banks, with the big three - Christiania Bank, Den norske Bank (DnB) and Fokus Bank - reporting combined net losses of NKr16bn (£1.4bn). The government was forced to prop up the ailing banks, nationalising Christiania after its capital had been wiped out and providing a

cash injection for DnB. Moody's Investor Services, the credit rating agency, recently warned that Christiania and DnB were unlikely to break even this year.

Compared with the catalogue of disasters in Norway, Finland and Sweden, Denmark can boast that its banking sector is in a relatively healthy state. There have already been signs of rationalisation, with the smaller financial institutions being bought by larger concerns in recent years.

As in the other Nordic countries, analysts point to the need to reduce staff and branches in these heavily over-banked markets if costs are to be reduced. Even so, the worry is that many banks in the region will continue to be plagued by credit losses and that recovery will be slow.

Sara Webb

A small country of great possibilities:

## HUNGARY

A large bank in a small country:



A bank that understands possibilities, because its knowledge is supported with up-to-date informations.

A bank with close connections in all major aspects of the business sector.

A bank that always knows the exact situation of the Hungarian economy and the processes of capital markets and privatization.

A bank which offers a network of branches throughout the country.

A bank which is involved in almost one quarter of the money now circulated in Hungary.

A bank that has been authenticating its results and balance-sheets carried out according to the international standards since 1989.

A bank with results, skill and creative energy.

## Kereskedelmi Bank Ltd.

H-1851 Budapest  
Arany János u. 24.  
Hungary

Telephone: (36-1) 112-5200  
Telefax: (36-1) 111-3845  
Telex: 22-3200

Correspondent Banking  
(36-1) 111-3025  
Trade Finance  
(36-1) 111-6794  
Trade Promotion  
(36-1) 111-3825  
Securities and Investments  
(36-1) 131-7130

Mr. György Lutzer  
managing director  
Mrs. Zsuzsanna Sziklai  
general manager  
Mr. Ervin Ernst  
managing director  
Mr. Csaba Baráth  
general manager

KERESKEDELMİ BANK LTD.



Where money starts working

Peter Cooke, formerly head of banking supervision at the Bank of England and currently chairman of the Price Waterhouse Regulatory Practice, gives a personal view on the appropriate content of an international bank's report and accounts.

Too often banks tell only part of the truth.

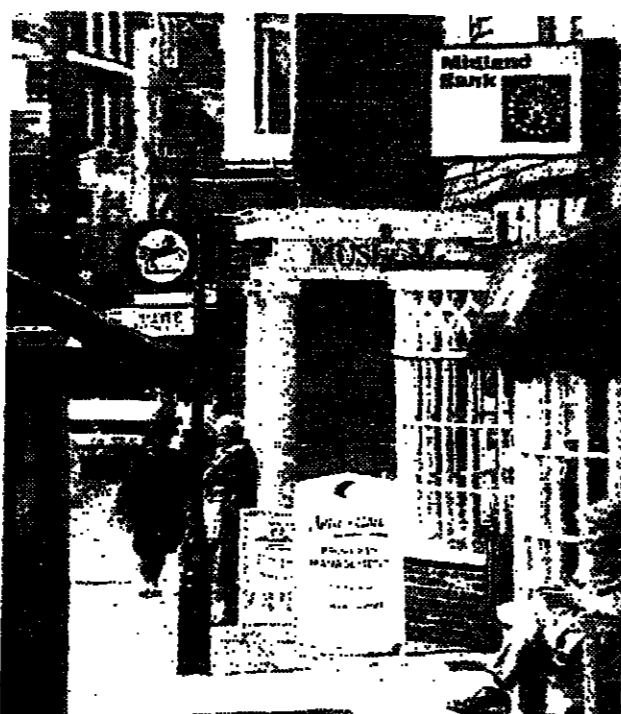
As chairman of the Basel group of banking supervisors during the formative years of the rules of bank capital adequacy, Peter Cooke knows more than most about the problems.

THE BANKER

## WORLD BANKING 5

UK clearers face two serious post-recession problems, says Peter Montagnon

## Low inflation a mixed blessing



Black horse v Griffin, fortuitously in the Sussex village of Battle

the clearing banks looks likely to be another year of high provisions in 1992, slowing their recovery from the recession.

Though base rates have fallen by five percentage points from their peak of 15 per cent, they remain positive in real terms by some 6 per cent. That means that loan demand is unlikely to revive strongly in the foreseeable future, limiting the prospects for the industry to raise its profits from other forms of lending to offset provi-

such as retained profits. Second, the determination of the government to track falls in money market rates with politically attractive cuts in base rates has limited the scope for interest margins to increase as rates have declined. The situation in the UK is in stark contrast to that in the US, where the federal funds rate has been cut far more sharply than bank prime rate.

Worse still, the banks face a competitive environment which requires them to pay interest on their current accounts. It is thus hardly surprising that they are now scrambling for other ways of boosting profits and rebuilding capital after the ravages of the recession.

One consequence is an obsession with boosting fee income, notably through increased emphasis on life assurance products which can be easily distributed through the branch network. The clearing banks' collective ratio of non-interest income to total income rose to nearly 41 per cent in 1991 from 38 per cent in 1990.

There is a limit, however, the extent to which fee income can offset the impact of a basically stagnant loan book. Clearing banks have come increasingly under fire for imposing apparently arbitrary and heavy charges on their retail custom-

ers, for example, for unauthorised overdrafts. Small businesses, too, have complained vociferously about higher charges.

The best scope for improving underlying profitability thus probably still lies with further effort on cutting costs, which is where the debate on Midland's future comes in. Both Lloyds and Midland managed to keep total operating costs broadly unchanged last year, while

those at Barclays rose by 14 per cent and at National Westminster by 7 per cent. As things currently stand, however, there is not much scope for further cuts. Announcing its annual results, Midland pointed to the need to spend to maintain and improve the quality of its services.

The message for the industry is clear. A more radical rationalisation is needed if efficiency gains are to be realised. The scope for savings could be enormous, as the Lloyds bid proposal for Midland shows.

Lloyds suggests that annual savings of some £700m could be generated by amalgamating the two banks, though 20,000 jobs and perhaps up to 1,000 branches would disappear in

the process. Whatever the outcome of the Lloyds bid, it seems likely that the process of rationalisation and branch closures will continue. That is one reason why many senior executives, even among Lloyds' competitors in the industry, privately admit to hoping the UK bank will win. A victory for Hongkong and Shanghai Banking Corporation would strengthen one of the weaker players in the marketplace, putting everybody else under even greater pressure to rationalise.

That, more than anything else, is testimony to the sorry state of an industry, which now sees cutting costs as its best hope for increasing profits.

The competitive environment requires banks to pay interest on their current accounts

sions on property loans.

In the admittedly recessionary year of 1991, the domestic loan books of UK clearing banks grew by only 2 per cent. The recovery might bring some improvement, though this may also be offset by a growing trend for large companies - especially those with the best credit ratings - to re-finance their debt at attractive fixed rates in the bond market.

The banks are also squeezed, in two ways, by the fall in nominal interest rates.

First, it reduces the profit they can make by lending out their so-called "free-capital",

David Barchard profiles GE Capital, the US non-bank with its eye on Europe

## Giving the banks a run for their money

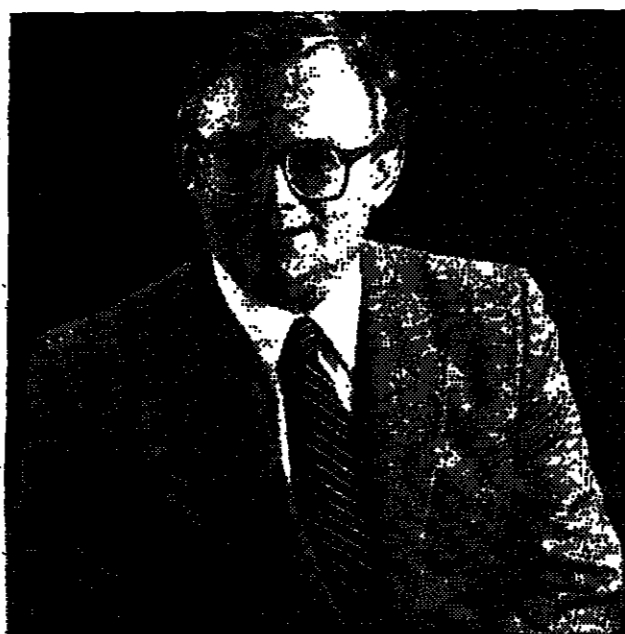
"All over the world, banks love to use us as their whipping boy. When talking to their regulators, they give us as an example of what they could do if they had no regulation to contend with."

THE SPEAKER is Mr Gary Wendt, chairman and chief executive officer of GE Capital Corporation, and president and chief operating officer of GE Financial Services, its immediate parent company, which also includes Kidder Peabody, the investment banking and securities firm.

Last year GE Financial Services contributed \$1.27bn (£711m) of General Electric's \$4.4bn profits, making it the most profitable of its 14 subsidiaries. More than four fifths of GEFS's earnings came from GE Capital.

Only the top half dozen US banks are larger. With assets of \$80bn, spread between 22 subsidiaries, including commercial real estate finance, retail financial services, mortgage services, aircraft leasing, private mortgage guarantee insurance, and the credit card and private label card businesses, GE Capital operates businesses traditionally owned by banks and insurance companies.

But although some of the subsidiaries it has purchased in recent years have banking licenses, neither GEFS nor GECC is a bank. In the mid-1960s, General Electric decided that it no longer needed a financial services organisation to support the sale of its products, and decided to let GEFS



Gary Wendt: 'You get strength from diversity'

go its own way.

Today, only 3 per cent of GEFS's business is linked to the sale of General Electric products. The group has evolved into the second largest non-bank finance group in the US (the largest belongs to General Motors), funding not from deposits but by issuing commercial paper with a triple-A rating from Moody's and S&P.

"That means that the rating agencies are, in fact, our regulators," says Mr Wendt. "We have no government protection and we have to compete in the free market for our money."

To be sure of doing this successfully, GECC maintains much stronger capital ratios than it would do if it were a bank. About 12 per cent of its total assets are kept in liquid capital, and it lends about eight times its capital, about half what it would do as a bank.

In the last three years, however, GECC's return on equity has stayed above 15 per cent. "We are not a single organisation, but 22 separate but specialised organisations, each concentrating on its own important segment," says Mr Wendt. "You get strength from diversity."

When one business is not going so well, the rest can pick up the slack." This policy has sheltered GECC from the risks of some of its chosen areas: commercial real estate, aircraft leasing, and leveraged buy-outs.

It has also enabled GECC, in its selected niche markets, to expand steadily further into overseas markets, starting with the UK. It now has 10 different business subsidiaries in Europe, including store-card business in the UK, which it virtually dominates after having bought out the financial services arms of Harrods, House of Fraser and Burton Group; Mercantile, the car loans business, purchased from Barclay's Bank last year; and a 3 per cent stake in Banco Bilbao Vizcaya, of Spain.

In February came an agreement to buy the vehicle leasing and fleet management business of Avis Europe, the car rental company, followed on May 1 by the purchase of a 50 per cent state in United Merchants Finance (UMF), of Hong Kong. On May 10, GECC bought 45 per cent of Finanzia, a specialised financing company, as a first step to a joint-venture in retail leasing and store-card businesses in Spain and Portugal.

Once purchased, provided good local management is in place, GECC makes only minimal interference and keeps a low profile. At Mercantile, for example, purchased a year ago, GECC has only one or two US citizens out of a workforce of 2,000. All the new European businesses are, Mr Wendt says,

firmly in the black. "We are able to do things on a less expensive basis than the retailers can themselves, and let them release [consumer] debt from their balance sheets and reduce their interest rate risk."

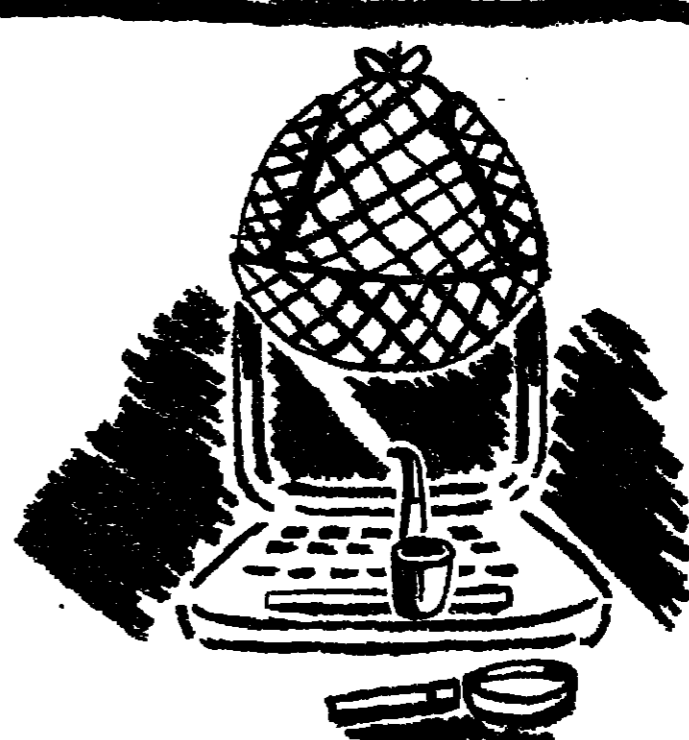
Where GECC encounters businesses that are unlikely to stay in the black, it does not compromise. In the UK, it decided that about 1,800 small store-card outlets were uneconomic and stopped their card-issuing scheme, to the dismay of some smaller retailers.

Since April 1990, GECC has also become a significant issuer of sterling-denominated commercial paper, in line with its policy of funding operations in local markets as far as possible.

Where GECC encounters businesses unlikely to stay in the black, it does not compromise

It now accounts for about 6 per cent of the sterling CP market. It is also starting to emerge as a significant CP issuer in other European markets.

For GECC's eyes are now on possible acquisitions in its chosen areas in almost every western European market. It is a remarkable contrast to the general picture of withdrawal from European retail operations by most large US banks. Europe's banks may not enjoy living alongside a large US non-bank finance group, but whipping boy or not, they are going to have to do so.



OUR DATA GUARANTEE  
MEANS EVERY FACT HAS BEEN  
CLOSELY SCRUTINISED

There are over 500 million items on Datastream's databases - data on equities, bonds, economic series, futures, options, forex, interest rates - and not one of them has escaped our very close attention. So close, in fact, that we now offer a Data Guarantee.

Based on data from over 300 sources worldwide and checked by a 120 strong team, Datastream's Data Guarantee is straightforward - with a £10 credit for every qualifying error. (Details are in our Data Guarantee pack).

The data is backed by a range of sophisticated application programs,

and there's user-friendly display platforms to access Datastream through the Windows 3.0™ environment. Ideal for downloading, data manipulation and integrated desk top publishing.

In short, you can't track down better data. Call Philippa Winslow on (071) 250 3000 for your copy of the Data Guarantee pack.

Windows 3.0™ is a registered trademark of Microsoft Corporation.

Datastream  
International

Datastream  
International

Datastream  
International

LONDON • NEW YORK • TOKYO • HONG KONG  
PARIS • FRANKFURT • ROTTERDAM • ZURICH • SYDNEY

## We give your ideas perspective.



The Europe of corporate opportunity knows no frontiers.

In executive suites around the globe January 1, 1993, is a red-letter day. As of then Europe will be the world's largest internal market - further enhanced by the economic opening of our neighbours to the east. For managers with enterprising spirit, a rare opportunity. But how to capitalize on it?

With DG BANK at your side, you are assured a competitive edge. Because DG BANK is a banking partner who has long been at home in Greater Europe, acquiring invaluable in-depth know-how. These resources - combined with precise, timely intelligence on national markets and their specific idiosyncrasies - are crucial. They alone make possible the systematic planning essential for your success. DG BANK aggressively supports domestic companies in

their activities abroad. And, in turn, assists foreign business in gaining a foothold on the domestic market.

DG BANK expertise is to a great extent founded upon its own bases at the business centres of the EC. Furthermore, DG BANK has access to the extensive European branch network of the UNICO member banks. And in its important home market - united Germany - DG BANK is solidly backed by the broad base of the cooperative banking system which it heads. To tap new markets - including those of our neighbours to the east - talk with DG BANK. We give you ideas perspective.

DG BANK London Branch, 10 Aldersgate Street, London EC1A 4XX, Eng-

land, Telephone (71) 726 67 91, Telex 886647, Telefax (71) 606 27 38.

DG INVESTMENT BANK Ltd, 10 Aldersgate Street, London EC1A 4XX, Eng-

land, Telephone (71) 600 05 39, Telex 914 958, Telefax (71) 606 27 38.

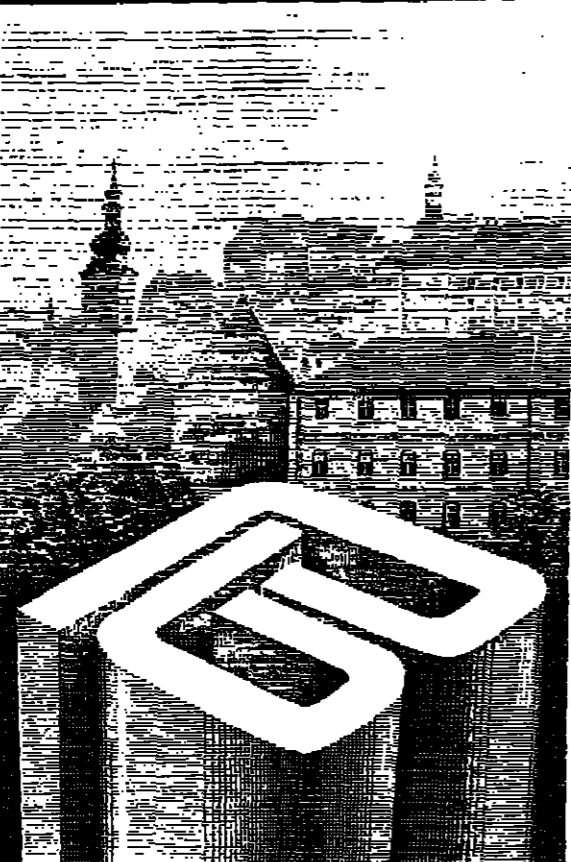
Head Office: DG BANK, Am Platz der Republik, P.O. Box 10 06 51, D-6000

Frankfurt am Main 1, Tel. (69) 74 47-01, Telex 412 291, Telefax (69) 74 47-16 85.

Offices in: New York, Los Angeles, Atlanta, Rio de Janeiro, Hong Kong, Singapore, Tokyo, Kuala Lumpur, Amsterdam, Luxembourg, Paris, Zurich, Moscow, Bucharest.

DG BANK

## PRIVREDA BANKA ZAGREB DD



## A Leading Croatian Bank

Over 120 branches & offices throughout Croatia

## Representative offices

Frankfurt/Main, London, Milan, New York, Vienna, Zürich

## Head Office &amp; International Division Senior Management

PO BOX 1032, Račkova 6, 41000 Zagreb, Croatia

Phone +38 41 480 822, Telex 21120 phz 1h,

Fax +38 41 447 234, Cable: PRIVREDA BANKA ZAGREB,

S.W.I.F.T.: PRZG YU 22



THE UNIVERSITY OF BIRMINGHAM  
THE BIRMINGHAM BUSINESS SCHOOL

## MBA IN INTERNATIONAL BANKING & FINANCE

For further details of this prestigious 1 year full-time programme, contact Dr P J Cadle, The Birmingham Business School, Priorsfield, Edgbaston, Birmingham, B15 2RU. Telephone 021 414 6239. Fax 021 414 6678

THESE DAYS there is a somewhat subdued tone to the grand old banking halls straddling the streets around Boulevard Haussmann in Paris.

France's banks may have been spared the same ravages of recession that have haunted their counterparts in the US and the UK, but they have just emerged from a second successive year of fierce pressure on profits and a worrying rise in bad debts.

When the big French banks unveiled their 1991 results this spring, their outpourings did not make pleasant reading. Paribas, the prestigious investment bank, began by announcing its first ever loss, of FF15.4bn (€1.6bn). Crédit Lyonnais confirmed its critics' worst suspicions about its aggressive expansion in the late 1980s by disclosing a decline in net profits from FF3.7bn to FF3.2bn after doubling client risk provisions to FF15.5bn.

Société Générale struck a brighter note by returning to profits growth, after a fall in 1990, as did Banque Nationale de Paris. But neither group managed to return to the same level of profits as in 1989, their last year of growth.

The performance of the smaller banks was equally lacklustre. France's banks managed to increase their collective net profits by just 2 per cent to FF15.2bn in 1991, according to the Association Française des Banques a fall in real terms. The main reason was a steep increase in provisions of nearly 22 per cent to FF18.4bn.

"Last year was pretty tough

"IN TEN years time, if the markets favour him, Haberer may be hailed as a genius and the rest of us will look like idiots," said one prominent Paris banker to the FT, this time last year. "But in the meantime, he gives me gooseflesh."

Less than a year later, gooseflesh looks like a rather mild reaction to the plight of Crédit Lyonnais, one of the biggest and by far the most ambitious of France's banks, and its chairman, Mr Jean-Yves Haberer. At the time, Crédit Lyonnais' main problem was Mr Giancarlo Parretti, the Italian businessman with whom it was locked in a legal fight over the future of MGM-Pathe, the stricken Hollywood movie studio.

The Parretti problem has since almost paled beside all the other traumas that have developed around Crédit Lyonnais. It won the legal battle over MGM,

## WORLD BANKING 6

Alice Rawsthorn looks beyond a disappointing results season

## Life gets tougher in France

## French banking performance

	Net banking income			Provisions			Net profits (FFbn)		
	1990	1991	91/90 (%)	1990	1991	91/90 (%)	1990	1991	91/90 (%)
Banque Nationale de Paris	35.90	37.90	5.9	7.10	8.10	14.1	1.60	2.90	81.2
Crédit Lyonnais	40.83	46.33	13.5	8.49	9.60	47.9	3.71	3.16	-14.8
Société Générale	32.54	35.40	8.6	6.79	5.46	-19.6	2.68	3.37	25.7
Banque Indosuez	9.32	10.93	17.3	1.30	1.55	19.2	0.83	0.81	-12.8
Banque Paribas	8.90	10.50	18.0	1.58	2.00	1.0	0.63	-1.56	-347.6
Crédit Commercial de France	7.25	7.63	5.2	0.71	1.15	63.2	0.78	0.92	17.9

Source: Association Française des Banques

for the French banks," said Mr Sasha Serafimovski, European banking analyst for Morgan Stanley. "Their position is not nearly as bad as that of the British or the Americans, but life for them is getting tougher and tougher."

The outlook for 1992 is little better. The French economy ought to improve, provided there is a reduction in interest rates this autumn, which will not only alleviate the pressure on the banks but should also provide a sorely needed boost to demand for credit.

But the French banks still face fierce competition in some sectors of their domestic market, notably deposits, where the government's SICAV scheme has siphoned cash away from the banks.

The investment banks face continuing competition from

the international concerns that are continuing to expand in France. Morgan Stanley of the US, Nomura of Japan and the UK's Kleinwort Benson have all recently announced plans to extend their banking or broking operations in Paris.

Meanwhile, the retail banks are haunted by the French post office's plans to start issuing cheques. The post office, helped by its huge network, could become a daunting competitor as the AFB has recognised by mounting a campaign against its plans.

Further, the banks seem set for yet another year of hefty provisions, given that there is no sign of a fall in the rate of French business failures, nor of a recovery in the property market to which some banks, notably Crédit Lyonnais, are heavily exposed. And, although

the litany of international corporate horror stories seems to be abating, there will almost certainly be enough multinational traumas this year to add to their problems in France.

However, the French banks have made progress on some fronts, notably in cost control. Crédit Lyonnais, for instance, managed to offset its difficulties with bad debts by the impressive performance of its restructured and rationalised French retail network. Both BNP and Crédit Commercial de France (CCF), one of the leading private sector banks, managed to keep their cost increases in France beneath inflation.

"The French banks have done very well at controlling costs," said Ms Susan Stern, European banking analyst at Goldman Sachs. "They have also managed to avoid the dra-

mas of the massive job losses in the UK and the US. The French have taken a more moderate approach by gradually shedding staff through early retirement and relocation programmes."

Such initiatives augur well for the future, given that, even after the French economy recovers, the level of competition in French banking seems set to get even more ferocious. Meanwhile, France's banks are still struggling to strike a balance between the parallel pressures of their old roles as state-controlled institutions and the commercial constraints of operating in international banking.

This dilemma is most acute for the state-controlled banks, notably BNP and Crédit Lyonnais. But the legacy of government ownership affects all the French banks. For instance, they are not allowed to charge

their personal customers for cheques given that owning a cheque book is seen as a citizen's right in France.

The links between the state and the banking sector have lessened in recent years. BNP and Crédit Lyonnais still take large stakes in state-controlled companies which, or so most banking analysts suspect, they would not have done without the "encouragement" of the French government. This is not, however, entirely to their disadvantage. Crédit Lyonnais financed much of its controversial expansion by expanding its equity through such deals. Moreover both banks claim that their links with the government are not as strong as in the past. Those links are likely to be even weaker in the future. The privatisation of Société Générale was seen as the beginning of the end of the era of state ownership. The socialist government has already identified the insurers as candidates for its partial privatisation policy. The banks may be next. Most observers suspect that, sooner or later both BNP and Crédit Lyonnais will join Société Générale in the private sector.

In the meantime, the government's influence over BNP and Crédit Lyonnais is slowly being eroded by the commercial disciplines of modern banking.

"The reality of life is that the need to comply with international capital standards is much more important to a bank than what the state tells it to do," said Ms Stern. "The market is slowly taking over, even in France."

## Profile: Crédit Lyonnais

## Risk and Mr Haberer



Jean-Yves Haberer

profits from FF3.7bn in 1990 to FF3.1bn in 1991.

Mr Haberer's many critics in France have hailed the 1991 figures as proof of the failure of his grandiose plan to turn Crédit Lyonnais into a "universal bank" - with a wide range of international banking interests and extensive industrial investments - along the lines of Deutsche Bank, in Germany.

Deutsche Bank, claim the critics, owes its structure to its roots in the post-war reconstruction of western Germany. By the time Crédit Lyonnais began its expansion towards the end of the 1980s, it was too late and too

expensive to construct a universal bank.

The performance of Crédit Lyonnais' loan portfolio over the last year or so has seemed to justify the critics' concern. Whenever a new corporate horror story has unfolded, Crédit Lyonnais has been high up the list of creditors; although it should be noted that its provisions as a proportion of loans - roughly 1.6 per cent last year - are still low by international standards.

Other aspects of Mr Haberer's strategy have been more successful. The French retail banking network, the original base of

an impressive profit last year, as did the US junk bond portfolio.

In spite of these successes, Mr Haberer's critics claim he has taken too many risks with one of the grand old names of French banking. "Their hope that he would be fired next month, when the Crédit Lyonnais shareholders comes up for renewal, suffered a setback when Mr Pierre Bérégovoy, one of his staunchest supporters, was appointed prime minister."

But Mr Haberer may face another political hurdle after next year's general elections if Mr Jacques Chirac returns to power as the head of a conservative government. Mr Chirac has been prime minister before, and one of his first acts in the financial sector was to fire the head of the Paribas banking group - Mr Jean-Yves Haberer.

Alice Rawsthorn



BANCO ESPIRITO SANTO  
E COMERCIAL DE LISBOA



## HEAD OFFICE

181, Avenida da Liberdade - 1201 Lisboa - PORTUGAL  
Tel. 21 08 00 00 and 21 08 00 01  
Telex: 1201 0000 L - Fax: 21 08 00 01

## LONDON BRANCH

4, Fenchurch Street - London EC3A 1AT - UNITED KINGDOM  
Tel. 07530 59 11  
Telex: 88 30 64 and 88 30 65 BOCCL G - Fax: (77) 428 43 87  
Yves Kalfman, General Manager  
Luis Oliveira, Deputy General Manager

## NEW YORK BRANCH

295, Madison Avenue - New York, N.Y. 10017 - U.S.A.  
Tel. (212) 410 00 00  
Telex: 42 97 94 BOCCL NYE - Fax: (212) 428 70 82  
Jean-Louis Gaudin, General Manager  
Olivier Fournier, Deputy General Manager

## MADRID BRANCH

Torre de Colón - Torre 1.5 - Plaza de Colón, 2  
28004 Madrid - SPAIN  
Tel. (91) 368 30 47 - Telex: 2719 BOCCL E - Fax: (91) 368 30 82  
Pedro Sanchez de Alameda, General Manager  
Antonio de Carralho, Deputy General Manager

## MADEIRA OFFSHORE BRANCH

Rua Antonio José de Almeida, 1, 1.º - 9100 Funchal  
MADEIRA (PORTUGAL)  
Tel. (91) 21 128 - Telex: 1965 BOCCL P - Fax: (91) 20 994  
Miguel Sousa Costa, General Manager  
Aristides Leão da Silva, Deputy General Manager

## HAMBURG BRANCH

100, Neuer Markt - Hamburg - GERMANY  
Tel. (040) 30 00 00  
Telex: 21 08 00 00 - Fax: 21 08 00 01

## FRANKFURT REPRESENTATIVE OFFICE

Frankfurt am Main - GERMANY  
Tel. (069) 75 91 39 - Fax: (069) 75 91 39  
Just Wilhelm, General Manager

## MILAN REPRESENTATIVE OFFICE

Milano - ITALY  
Tel. (02) 48 10 20 97 - Fax: (02) 48 10 20 97  
Just Wilhelm, General Manager

## LISBON REPRESENTATIVE OFFICE

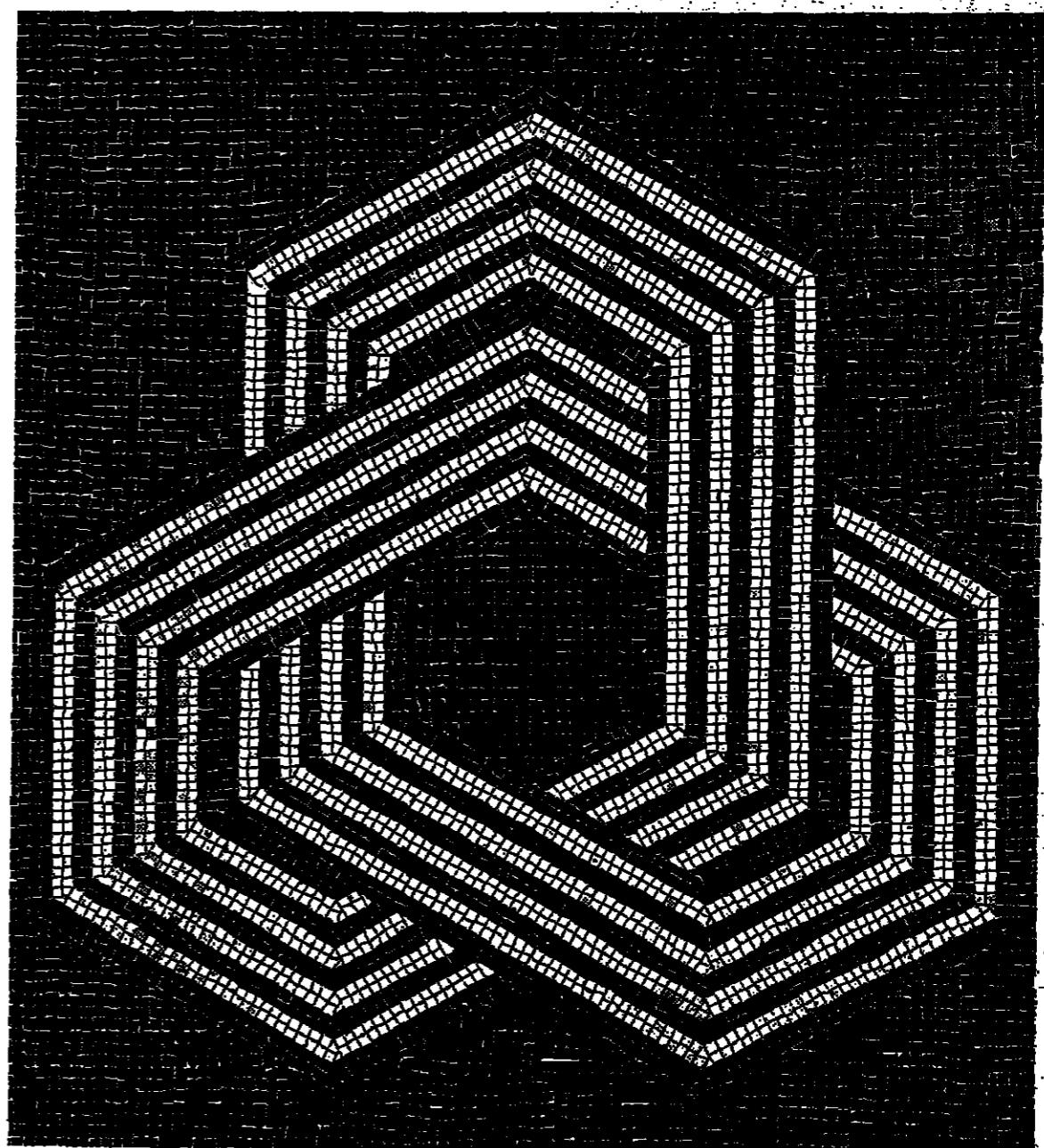
Rua do Carmo 200, 2.º - LISBON  
Tel. (21) 368 30 47 - Telex: 2719 BOCCL E - Fax: (21) 368 30 82  
Pedro Sanchez de Alameda, General Manager  
Antonio de Carralho, Deputy General Manager

## MOSCOW REPRESENTATIVE OFFICE

Shchegolevskaya Street, 1 - 125 009 Moscow - RUSSIA  
Tel. (095) 624 23 27 - Fax: (095) 624 23 27  
Just Wilhelm, General Manager

## PARIS REPRESENTATIVE OFFICE

1, rue de Valenciennes, 75001 Paris - FRANCE  
Tel. (01) 42 84 00 00 - Fax: (01) 42 84 00 00  
Just Wilhelm, General Manager



PIECING TOGETHER THE COMPLEX MOSAIC  
OF SUCCESSFUL PROJECT FINANCE



البنك العربي للاستثمارات البترولية  
ARAB PETROLEUM  
INVESTMENTS CORPORATION

PO BOX 448 DHAHRAN AIRPORT 31322, SAUDI ARABIA. TELEPHONE: (966-3) 864 74 00  
TELEX: 870088 APIC SJ FAX: (966-3) 8645077

Ian Rodger looks beneath the pall that lies over the Swiss banking community

## Thun closure raises questions

IT HAS, in many respects, been a great year for the Swiss banking industry, with most of the leading universal and private banks scoring handsome profit increases.

But the decision by Moody's, in January, to remove its triple-A rating from the long-term bonds of Credit Suisse, and, earlier this month, to do likewise to Swiss Bank Corporation, has cast a pall over the whole community.

One of Moody's main arguments was that the liberalisation of Swiss financial markets in recent years was putting the stability of the banks' earnings into question.

Certainly, liberalisation has already had a significant impact on banks at all levels, and there are indications of more shocks and radical changes to come.

The biggest shock last year was the forced closure of a regional bank, Spar und Leihkasse Thun, something no one expected to see in Switzer-

land. While the Thun bank was very small, with assets of SF1.1bn (\$411m), its failure revealed many problems in the Swiss banking system arising from liberalisation.

It undermined the assumption that one of the big universal banks would always be a rescuer of last resort in such cases. Second, it showed that traditional supervision procedures were no longer adequate in an era when even small banks were free to compete as aggressively as they liked in various financial markets. And it highlighted the need for consolidation in a sector where 185 banks had combined assets of only SF266.1bn, roughly a third of those held by Union Bank of Switzerland alone.

It also suggested that Swiss banks, long accustomed to easy money, were ill prepared to cope with the tougher conditions imposed by the falling international popularity of the Swiss franc.

These problems have mani-

Private banks have had to sharpen their investment skills

festated themselves in different ways on different sectors. The big universal banks, for example, have seen their balances of traditional, low-cost savings deposits decline as customers headed for higher yielding money market instruments.

Together with the private banks and the bigger cantonal banks, they have also suffered from squeezed margins on securities trading since the elimination of fixed commissions at the beginning of last year.

The private banks have had to sharpen their investment management skills, realising that their Swiss names, courtesy, location and currency were no longer adequate to attract and hold deposits from the world's rich individuals. Better service comes at a cost, and most banks have been trimming staff. Last year, two famous old Geneva names, Darier and Hentsch, felt the need to merge, and others are likely to follow.

As costs rise, private sector banks have pointed angry fingers at the cantonal banks, whose public sector owners would rather endure low returns than face angry voters. But cantonal and regional banks have been losing market share steadily to the universal banks, especially in their core business of mortgage lending, and are fighting for survival.

Mr Robert Studer, chief executive of UBS, started a Zurich audience in March by predicting that 100 of the country's 630 banks could disappear in the next 10 years.

Two weeks ago, Mr Hans Dieter Vontobel, chief executive of Bank J. Vontobel, a leading Zurich-based investment bank, retorted sharply, saying

that power in Switzerland's financial markets was already too concentrated in the hands of the big three.

Liberalisation should not be pursued so vigorously as to reduce still further the degree of competition, Mr Vontobel

Service comes at a cost, and most banks have been trimming staff

argued. But he agreed that rationalisation in the next few years would be substantial, possibly eliminating 20,000 jobs.

Mr Studer thought that one of the big three might even decide to give up retail bank-

ing in the foreseeable future, because profits were so thin in this area.

All this, plus the uncertainty over Switzerland's future relations with the European Community, would seem to provide more than enough reasons to question the stability of Swiss banks in the next few years.

The big banks argue that they are almost certain to emerge stronger from the process, and this is probably true. But they also admit there could be a long period during which many dying institutions lunge desperately at business, keeping margins very low for everyone.

Thus, it is just as well that they have finally got their international business in order. While many of the world's banks are still licking their wounds from their misadventures in global banking over the past few years, the big three Swiss banks have sparked.

Aided by their strong bal-

ance sheets, and no doubt also by the retreat of troubled Japanese and US banks from the key international markets, the big three have found profitable pickings in international lending, foreign exchange dealings and fund management.

Credit Suisse said 30 per cent of its net income came from foreign operations; but Bank Julius Baer, in a recent study, argues that the figure would be more like 60 per cent if income from the group's Luxembourg based mutual funds, which are managed from Zurich, were included. UBS said the foreign contribution to its earnings last year tripled to 25 per cent.

SBC said that its association with the derivative specialists, The O'Connor Partnerships in Chicago, in which it invested about SF900m a little over a year ago, yielded net income of SF107m last year, but overall foreign earnings were depressed by large provisions on bad debts.

Profile: Deutsche Bank, whose 'feel good' factor has been under strain

## Still towering above the rest

THE TWIN towers of the Deutsche Bank headquarters are no longer the tallest buildings in Frankfurt. They are eclipsed by the recently built Messeturm nearby. But metaphorically speaking, the bank still towers over the German financial and industrial establishment.

This is despite the fact that Deutsche Bank's profits grew more slowly than those of Germany's other big banks last year, and that analysts were disappointed with an 18 per cent rise in total operating expenses. Trading results alone helped the bank report total operating profits up 17 per cent to DM5.97bn (\$2bn) - strip out these, and underlying profits only rose by 6 per cent.

Other banks - notably Commerzbank, which increased its joint-trading profits by 30 per cent last year - may have achieved better growth rates. But this hides the fact that Deutsche and its subsidiaries managed to transfer to their reserves more than the total transfers made by Commerzbank, Dresdner Bank and the two big Bavarian banks (Veritasbank and Hypobank) together. The figure exceeded

DM1bn, compared with the total sum of DM800m put away by its four nearest competitors. These transfers feed directly through to a bank's ability to take on board new lending, meaning that the Deutsche Bank, unlike its smaller competitors, has no current need to hold an expensive rights issue. It beats the other big German banks hands down in terms of capital strength, too, with around 6 per cent of

'An animal on its own... with immense financial strength'

Tier 1 equity capital and 11 per cent capital altogether. Of the big three banks, it was the only one to increase its dividend for last year.

Add in its network of shareholdings in Germany's largest companies (including a 28 per cent stake in Daimler Benz, Germany's biggest industrial group, and 10 per cent of Allianz, Europe's largest financial services institution) and a market capitalisation of in excess of DM300bn. It is, in the words

of Mr Keith Brown, at Morgan Stanley, in London "an animal on its own, a major industrial holding company, with immense financial strength."

It is also, as Mr Brown puts it, "the ultimate feel-good bank." There is wide respect for the quality of the bank's management among international investors "who feel good whatever the bank does," says Mr Brown, even if this is at the expense of reported profits, as in 1990 when profits fell as the bank made aggressive provisions against its exposure to the former Soviet Union. The following year the competitors were obliged to follow suit.

Mr Brown notes that, on a two-year view, net profits have shown only modest growth, and earnings per share have actually declined. But investors appear unconcerned and the shares still sit on a premium rating, yielding 60 per cent of the market yield and sitting on an earnings multiple of 20 per cent more than the market. This makes the shares expensive by comparison with those of the other big banks, but investors appear willing to pay the price of

greater quality earnings.

It is true that the bank did not induce its usual "feel-good" response when it reported its figures for 1991 at the beginning of April: close examination of the results revealed a sharp and unexpected increase in costs, predominantly in connection with the bank's aggressive expansion in the eastern part of Germany. The disappointment felt by investors was not keen enough to make a dent in the bank's rating.

Like the other German banks, Deutsche seems set to benefit from another year of strong loan demand at home, mainly tied to recovery and investment in the east of the country.

Overseas markets already account for a quarter of Deutsche's total business - a share which is likely to show as the bank takes advantage of the weakness of its American and Japanese rivals. North America, watch out - at a press conference in New York this month, Deutsche declared its intention to expand aggressively in the US capital markets and private banking.

David Waller

Managing bad debts

## 'A job to make anyone mature'

THE company concerned and how it got into trouble and secondly build up a better relationship between bank and manager.

"The chances are that relations between a branch manager and the company are not at their best by the time a company comes our way, so we do try to create a new relationship."

Creating a good working relationship is very important. Mr Bradford's staff are told that they must be sympathetic and humane at all times, and that they must never forget that they are dealing with people in trouble. Some staff handling troubled companies are still in their twenties, but "A spell working with us makes anyone mature fast."

Credit-watch staff must be trained to cope with all sorts of emotional situations, ranging from aggression and abuse to heart-rending tears. There is emphasis on finding innovative solutions. NatWest does not want staff to emerge from credit-watch work too scared by what they have seen ever to

lend another penny. On the other hand, it does not strive to keep companies alive which are not truly viable. "We do not intend to defer the collapse of a company if it is inevitable," says Mr Bradford.

The success rate is fairly high. Only about one third of the companies in trouble end up in liquidation. Identifying the ones with a reasonable prospect of recovery depends on understanding why they have gone wrong.

"You tend to find that companies about to get into difficulties have little understanding of how serious their position is," says Mr Plummer. "They always believe that, with just a little more help with their cash flow, they will get through their troubles."

Signs of impending trouble which may trigger a branch manager or regional director to take action and put a company on credit watch include: pressure on a company's overdraft; a sudden fall in its turnover; a flood of status enquiries about the customer; and repeated

customer requests to stop payment on cheques. Any of these will get a company's account watched closely from an early stage in its troubles.

The average company will have debts of around £500,000. Finding out just how it came to be unable to meet its commitments is then NatWest's second main task.

When the accountants go in to a company in trouble, they almost always find that its records are in a mess. "It is a pretty harsh view to take, but at the root of every company's troubles is management failure," says Mr Bradford.

At this point the bank assesses its options, ranging from immediate closure to a debt into equity conversion. A support and monitoring operation, which may last for up to two or three years, will get under way in hopeful cases.

"We think very carefully about what the bank is doing. We don't want to increase its exposure, but it is in our mutual interest for our customers' businesses to prosper," says Mr Bradford.

Is the UK recession, and the flood of insolvent companies created by it, ending? There have been some straws in the wind in the last two months. The recovery figures for the first quarter of the year were down. Perhaps we are at last starting to turn the corner."

David Barchard

**AZORES BANKING**

Banco Comercial dos Açores

1012-1992

**BANCO COMERCIAL DOS AÇORES**

A BANK OF SUCCESS

## WORLD BANKING 8

Richard Lapper on the banks' increasing sale of insurance

## The time of their life

BANKS FROM Belgium and Switzerland are the latest European entrants into the booming field of *bancassurance* or *Allfinanz* - the French and German terms which describe the way banks are increasingly selling insurance to their customers.

Belgium's Banque Bruxelles Lambert, the country's second largest bank, which has been courted by insurers such as Royal Belge and Internationale Nederlanden Groep, announced in March that it would establish a new subsidiary to sell motor and household insurance; while, in January, Swiss Bank Corporation (SBC) unveiled a joint venture with Zurich Insurance, in which each company will sell products and services of the other through their existing branches and offices.

The launches are the latest of a string of ventures in which banks and insurers are taking advantage of the deregulation of the continent's financial services industry to tread on each other's turf.

The pace of rationalisation has been remarkable in some countries, including the Netherlands. Nationale Nederlanden and NMB Postbank created one of Europe's biggest bank insurers following their merger early in 1991.

The ventures have not been entirely trouble-free, but bankers in the US and Japan - where regulations preventing link-ups are still very much in place - are casting envious glances in the direction of Europe. Increasingly, commentators are recognising that, from a banking point of view, the logic of bancassurance is inexorable.

Allfinanz, or the "integration of banking and insurance at the customer level", is one of "the most striking developments to have hit the financial industry worldwide in modern times," said a recent survey by the Lafferty Group, the Dublin-based research group (*The Allfinanz Revolution - winning strategies for the 1990s*).

Lafferty believes that European banks are now positioned to take between 20 per cent and 40 per cent of the market.



Zurich, where one of this year's joint ventures was unveiled

"There can no longer be debate about whether banks have a role to play in the provision of life insurance," Lafferty concluded decisively. "Evidence from around the world points to the fact that banks are now not merely marginal participants in the sector, but are becoming increasingly important in both the manufacture and distribution of life insurance."

Salomon Brothers, the securities house, agrees. Citing the examples of Cr dit Agricole, TSB, Deutsche Bank, Rabobank and Monte dei Paschi, Salomon says: "The big winners in the European distribution sweepstakes are a limited number of major banks that have found the right management formula for success."

In the UK, National Westminster and Abbey National opted to form bank insurance subsidiaries last year. NatWest, which had developed links with a number of companies as an independent intermediary, has formed a new joint venture with Clerical Medical, in which it owns a 92.5 per cent stake. Abbey National, which had linked up in a joint venture with Friends Provident, took over Scottish Mutual.

Salomon says in a recent note, *European Insurance Distribution*, that a standard formula for success is "a captive insurer staffed by recruited professionals [which] provides

product, training and support while the bank network exploits the active or arm customer portion of its customer population."

Underpinning the rationale is increasing competition within the financial services sector. European banks have seen operating margins get much tighter over the last 10 years. In particular, as interest-bearing current accounts have become more common, banks have faced a sharp increase in the cost of their deposits.

Banks have also had to respond to the impact of the gradual aging of Europe's population, which has seen a greater proportion of the continent's savings invested in the longer-term investments in which life insurers specialise, at the expense of bank accounts.

Competitive pressures - in part, stemming from deregulation - have also pegged back the rate at which banks can make profits from their core lending activities, forcing banks to seek ways to increase productivity by making greater use of their networks of bank branches.

Banks have also realised, however, that their branch networks represented an opportunity. Early examples of bank insurance showed that life insurance salesforces could achieve many more sales by working with a bank's captive customer base. While insurers

convert on average one out of 15 sales prospects - what the industry calls "warm leads" - into a policy, banks are now converting into policies as many as five out of 20 prospects.

The successful experience of bank-owned life insurance subsidiaries - such as Lifetime, the Bank of Ireland subsidiary, which converts one out of two referrals into a policy, and Deutsche Leben, the subsidiary of Deutsche Bank, which claims a one-in-four conversion rate - have underlined the value of the bank customer base.

"Banks have found that branch-based customers represent an extraordinary asset - of warm prospects for life insurance products," says Lafferty. "Life insurers, on the other hand, have been forced to the shocking realisation that their policyholders have more of a relationship with the intermediary than with the company whose products they are buying."

The development poses some awkward dilemmas for insurers. While banks have proved to be adept at selling simpler insurance products, in France and Germany - where insurers Union des Assurances de Paris and Allianz have entered into joint-venture deals with BNP and Dresdner Bank - insurance agents have been less successful at selling motor loans and mortgages.

Increasingly aware of the value of their distribution networks, banks are unlikely to cede control of joint ventures established with insurers. Indeed, talks between RAT Industries - which has two insurance subsidiaries, Eagle Star and Allied Dunbar - broke down over this issue.

Spain's largest insurer, Mapfre, has addressed the problem by setting up its bank from scratch and offering banking services from its hundreds of small insurance agency offices.

But few European insurers have such a dense network of branches, and ultimately acquisition may be their only option - though, on cost grounds, that could rule out all but the continent's biggest insurers.

Andrew Freeman explains why global custody is in vogue

## Fees down, rewards still high

IN RECENT years, international banks have become increasingly enamoured of a business they long regarded as a necessary evil.

Global custody, a cross-border securities settlement and administration product, was traditionally seen as an extension of the back-office functions banks offered to their investment clients. Now, with balance sheets groaning under the pressure of provisions against loans gone bad, custody is in vogue.

The reason is simple enough. Custody is a fee-earning business with a relatively stable client base. The banks' income is derived partly from an annual charge based on the size of the assets under custody, but the bulk of custody revenues is earned from customers' activity. Custody requires minimal capital, although it does require continuous investment in technology.

Small wonder, then, that the market for custodial services has grown in parallel with cross-border activity by investors. A recent survey by Inter-Sec, a US consultancy, suggested that the world's largest pension funds will have \$780bn. (\$437bn) of foreign assets by 1995, rising to \$2,000bn by 2003.

If that extrapolation is correct, the pool of foreign assets will have grown by a hundredfold in a mere 25 years. As funds have sought investment opportunities overseas, they have turned to their custodians to provide essential support networks.

There is another reason for custody's new-found popularity among banks. After the stockmarket crash of October 1987, senior bankers became concerned for the first time about the risks of systemic failure of the world's settlement systems. They realised that the smooth flow of financial and securities transactions is crucial to the security of their business.

Leading think-tanks, notably the Group of Thirty, studied clearing and settlement practices and discovered that, in many markets, they were woefully inadequate. The G30's recommendations and time-



Marshall Carter: global custody has evolved

table for improved settlement efficiency were widely adopted after its influential report three years ago.

Meanwhile, custody has become much more competitive in the last five years. Fees have been squeezed to the point where custodians now describe the basic product as a commodity.

Fees have come down sharply as the bigger providers have used their muscle to put pressure on vulnerable competi-

which use their clients' custodial assets for stock lending. In return, the custodian is allowed to lend stock and keep a share of the income. That might sound unexciting, but returns on lending in some of the smaller securities markets can be as high as three percentage points. Some large and sophisticated customers have sufficient muscle, in the shape of their assets, to demand custody virtually for free.

As balance sheets groan under the pressure of loans gone bad, custody is a fee-earning business with a relatively stable client base

itors. Clients, too, have become much more aggressive in demanding a better service. Custody has not turned out to be the dream product some bankers predicted.

However, the rewards from activities associated with custody can still be huge. In particular, the commercial banks have always made good returns from handling the foreign exchange transactions required whenever a fund buys or sells foreign assets.

But there are also big returns available to the banks

That is the type of arrangement thought to underlie the appointment by the two huge Californian state employees retirement funds of State Street, State Street, which has vast assets under administration, won the business away from the rival Boston Company with a bid significantly lower than any competitor managed.

Mr Marshall Carter, president of State Street, told a recent conference that custody has evolved from the days when it offered relatively sim-

ple services like safekeeping, settlement, corporate actions, income collection and tax reconciliations.

"Today, services must include decision support such as consolidated reporting, performance measurement, risk analysis and analytics. We must be able to demonstrate to our customers that we can help them reduce risk," he said.

At the same time, it is arguable that the banks have not been particularly successful at developing the custody product. Because it essentially involves the processing of information flows, custody has been a natural beneficiary of the revolution in computer technology.

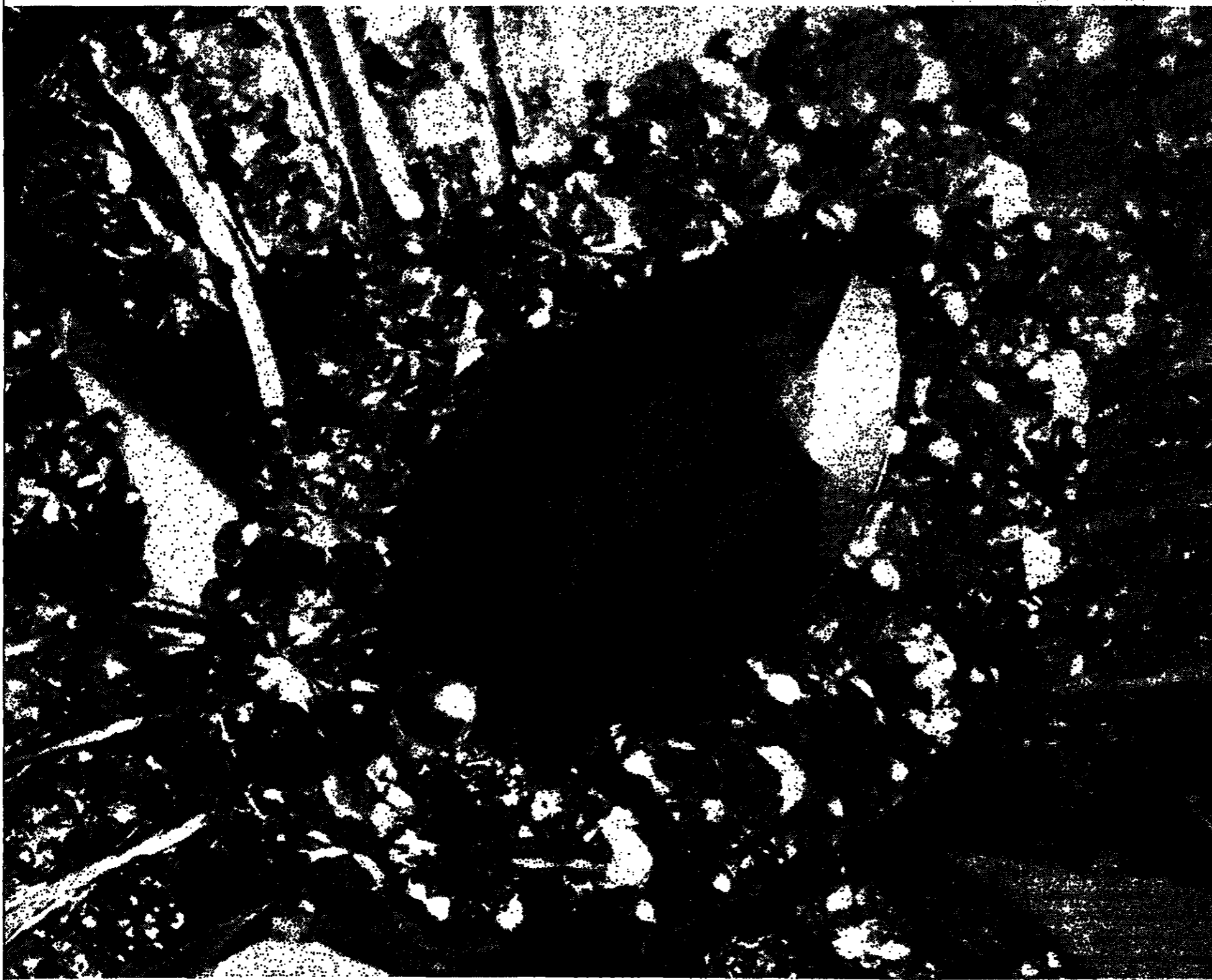
In practice, banks have struggled to keep pace with that revolution and have often been saddled with expensive systems which are out of date soon after they are installed.

It is possible that specialist IT companies will seek to move into the commodity end of the custody business and drive prices even lower. Banks which rushed to swell the ranks of custodians in the late 1980s could be forced into embarrassing retreats. That risk is increased by the fact that some of the world's largest institutions are not yet active competitors in custody. The Japanese banks, for example, have been notably slow to look beyond their domestic market. Were they to do so, their assets and their ability to learn from others' mistakes would make them formidable competitors.

In addition, the custodians banks face a dilemma over the development of three international institutions which, ironically, they own: Swift, which runs the global interbank message system, and the two international clearing houses, Euroclear and Cedel. Each of them has the business framework and expertise to become a key player in global custody.

It seems likely that later this year Swift will allow fund managers to become users of its system, opening up the possibility of eventual partial disintermediation of the custodian banks.

MINED IN INDIA. CUT IN THAILAND. SET IN SINGAPORE.  
SOLD WORLDWIDE. FINANCED BY?



CONSOLIDATED HSBC GROUP ASSETS AT 31 DECEMBER 1991 EXCEEDED US\$160 BILLION



One bank has been helping business trade within Asia and throughout the world for more than 125 years: HongkongBank.

No other bank has a deeper understanding of Asia; we've been in Hong Kong since 1865, Singapore since 1884 and Thailand since 1888. Today, we are the principal member of the HSBC Group, which has some 1,400 offices worldwide, including over 600 in Asia.

Our Global Data Network gives you access to information from any market in the world. And Hexagon, our global electronic financial services system, allows our customers to keep track of their finances and make transactions from their own offices.

To find out more, contact our London office at 99 Bishopsgate, London EC2P 2LA, Tel: (071) 638-2366; or your nearest HongkongBank office.

And find out why so many companies find our insight priceless.

**HongkongBank**  
The Hongkong and Shanghai Banking Corporation Limited

Fast decisions. Worldwide.

is in vogue  
till high

# COURIER AND EXPRESS SERVICES

SECTION IV

Wednesday May 20 1992

**With the emphasis on greater profitability, the courier and express industry is now undergoing a rationalisation after a decade of phenomenal expansion. Increasing demand for more sophisticated delivery services, a need for greater security and environmental concerns are also straining the cost base. Phillip Hastings reports**

## Packaged for more profits

A DECADE of expansion at almost any price for the courier and express industry during the 1980s has now been firmly replaced by a strong focus on bottom-line performance.

The harsh reality of increasing losses is forcing many companies - international and domestic - to scale back ambitious network development plans and pursue of ever-larger traffic volumes to achieve better profitability. Increasing demand from customers for higher quality and more sophisticated delivery services is putting an even greater strain on the cost base of many courier and express companies. Issues such as security and environmental concerns are also having an impact on costs and profitability.

Meanwhile, plans to liberalise the UK postal industry and that of the European Community as a whole could substantially change market conditions for couriers and other companies handling express parcels and document traffic.

The best example of the rationalisation of the international express industry was the decision, announced earlier this year, of US parcels carrier

Federal Express to pull out of all European domestic and regional activities.

Reasons for the decision were not hard to find. In the quarter to the end of February this year, Federal Express incurred international operating losses of US\$387m (\$126m excluding one-off European restructuring charges) on revenues of \$386m. That compared with a loss of \$71m on international revenues of \$672m for the same quarter of the previous fiscal year.

Few express industry observers expect the Federal Express pull-out to mark the end of rationalisation on the global scene. Mr John Mullen, chief executive of GD Express Worldwide, the new joint venture organisation set up this year by TNT Express Worldwide and five postal authorities, believes there is only room for two or three global integrators at the most. "We are now getting nearer to that situation but there is probably still some more rationalisation to come," he said.

Much of the express industry's rationalisation has so far involved moves to share expensive aircraft capacity. However, leading express industry executives believe

that, in Europe at least, the next round of changes could well focus on the road transport side of the business.

Meanwhile, TNT Express Worldwide claims it is already seeing significant cost savings as a result of its joint venture with GD Net, the express organisation set up by the post offices of Sweden, the Netherlands, France, Germany and Canada. For a start, the additional traffic is helping to fill up spare capacity on its 20-strong fleet of British Aerospace 146-QT jet freighters.

TNT says overall traffic volumes from the five post offices belonging to GD Net are roughly equivalent to the European volumes of its former courier organisation TNT Skypak. "On some routes, we will without doubt be putting on extra aircraft," said a TNT spokesman. Still to be decided is whether the UK Post Office will join the TNT/GD Net organisation or seek alternative ways of developing its international express delivery service.

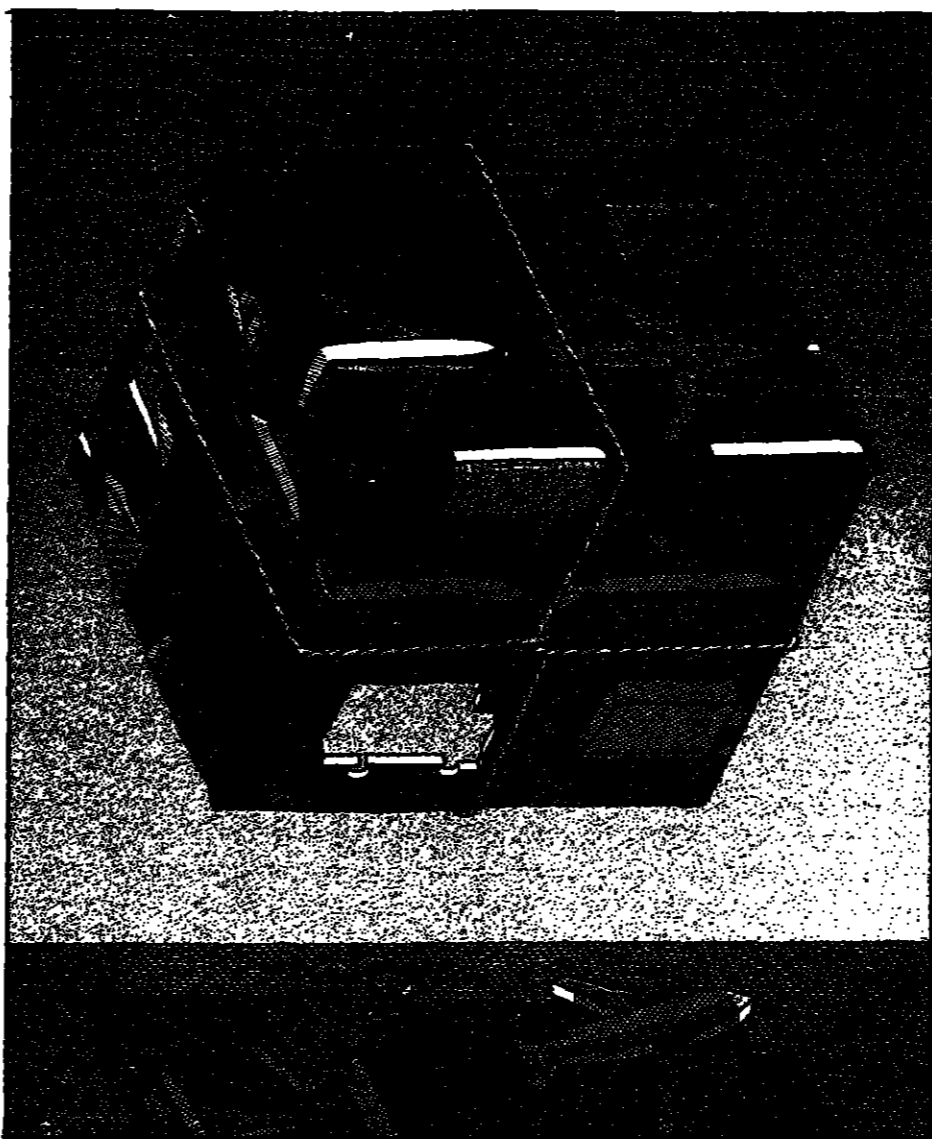
A decision had been expected by now, but Mr Peter Howarth, managing director of the UK Post Office parcels organisation Parcelforce, said a number of options were still under consideration, including the GD Express Worldwide venture.

He said Parcelforce may opt to work with only one partner or with several different ones. And they could be other postal authorities or private sector companies. A final decision is expected by July.

The emphasis on reducing costs and improving profitability now evident in the international express industry, is just as apparent in the UK domestic sector.

Mr Colin Milbanks, chief executive of Mayne Nickless group carrier Parceline, claims his company has deliberately not chased volume at any price and as a result has remained in profit since November 1990.

"Costs have been held at the levels of 12 months ago, which in real terms means a reduction. This will have a dramatic effect on our bottom-line performance for



the financial year ending June 1992," he said.

Another trend in UK domestic and international express sectors is that customers are demanding more sophisticated services. On the international front, this has led to big global integrators such as TNT, Federal Express, DHL and United Parcel Service establishing separate divisions or management teams to concentrate on developing wide-ranging logistics services for multinational organisations.

Other express operators are following similar paths. US-based Emery Worldwide, for instance, has just announced that it will expand its Warehouse Inventory System Express (WISE) depot programme in North America to provide customers with three levels of service for time-critical shipments, including a two-hour turnaround service for immediate delivery needs. The company is also looking to expand its WISE operations in Europe.

The pressure on domestic express companies to expand the scope of their services is highlighted by Securiguard group parcels carrier City Link. Mr David Kennard, managing director, says that as many companies are forced to rethink their operating hours - starting earlier or working round-the-clock - demand is growing for faster and more flexible delivery systems.

He also says that in an increasingly competitive business climate, companies are attaching far greater value

to the supply of information. "They want more management information from their express carriers to enable them, for example, to analyse expenditure by departments and service levels used," he says.

These sort of requirements, at the domestic and international levels, mean courier and express companies are continually having to invest in new information technology. Increasingly, this means using EDI (electronic data interchange).

However, this creates two problems for the courier and express industry, claim operators. First, many customers are unsure exactly what they really want in terms of information technology. Second, the reluctance of customers to pay for it means the main cost burden falls on the express operators.

Another problem is the continuing uncertainty over moves to establish new rules for mail and other postal service operations in the European Community.

The European Commission last week published its long-awaited Green Paper, which puts considerable emphasis on the need for community-wide standards for basic postal services. But the Commission has decided that some EC postal sectors should still be reserved for the postal authorities and suggests gradual liberalisation of cross-border services.

Meanwhile, the UK Post Office is planning to offer discounts to private companies who want to consolidate and trunk their domestic mail. UK Post Office chairman Sir Bryan Nicholson indicated earlier this year that a general framework for such arrangements was expected to be in place by early summer.

Initially, the Post Office is likely to offer discounts to large users who trunk their own mail direct to the postal centre handling the final delivery of that traffic. But such discounts may subsequently also be offered to third parties acting as consolidators for the collection, sorting and trunking of mail.

Under the general Post

### IN THIS SURVEY

**LOGISTICS:** still a problem across European borders  
**MONOPOLIES:** national post offices heading for more competition....Page 2



Sir Bryan Nicholson: welcomes deregulation

**UK MARKET:** fierce competition hits profits  
**EUROPEAN SERVICE:** on track for a faster service.....Page 3

**AIRLINES:** aiming for a flying start  
**MOTORCYCLES:** rough ride ahead.....Page 4

Illustration: Robin MacFarlane

Office monopoly on mail services, private carriers have to charge a minimum of £1 per item for their deliveries. Mr Robert Andrews, a director of parcels carrier Securicor Omega Express, told an industry conference earlier this year that research suggested a reduction of the monopoly limit to 75p or 50p was "unlikely to cause sufficient shift of first class letter traffic from Royal Mail to tempt current express service companies to put the profitability of their core business at risk".

# WE'VE GOT IT ALL WRAPPED UP. HAVE YOU?

If you're not with DHL you're not with the best express delivery service to Europe. It's as simple as that. No other carrier comes even close to DHL for resources, experience, volume, speed and sheer determination to get it there on time, every time!

NO OTHER CARRIER DELIVERS TO MORE COUNTRIES ACROSS EUROPE.

NO OTHER CARRIER DELIVERS MORE PARCELS, PACKAGES OR DOCUMENTS DOOR TO DOOR.

NO OTHER CARRIER HAS AS MANY OFFICES ACROSS EUROPE.

NO OTHER CARRIER INCREASED ITS CLIENT DELIVERIES TO EUROPE BY MORE THAN 20% LAST YEAR.

NO OTHER CARRIER BEATS DHL FOR GETTING IT THERE FIRST.

So if a fast, efficient, totally reliable delivery service to Europe is crucial to your business, talk to the carrier who'll never let you down. Ring DHL on 081 890 7700



You know it's arrived the moment it's sent.



## COURIER AND EXPRESS SERVICES 2

Logistics are still a problem across European borders

## Range of services widens

INCREASING demand from multinational companies for fast, high-quality international delivery performance is creating important new business opportunities for the providers of express services.

Manufacturers using JIT (Just-in-Time) logistics systems, for example, like the ability of leading express operators to control the total door-to-door movement of goods. And organisations developing centralised warehousing systems in Europe want fast delivery services to ensure they can serve the whole market efficiently.

"There is a major move in Europe to centralise stocks and distribute parts from one, strategically-located site," confirms Mr David Burton, general manager of intra-European express delivery company XP Express Parcel Systems.

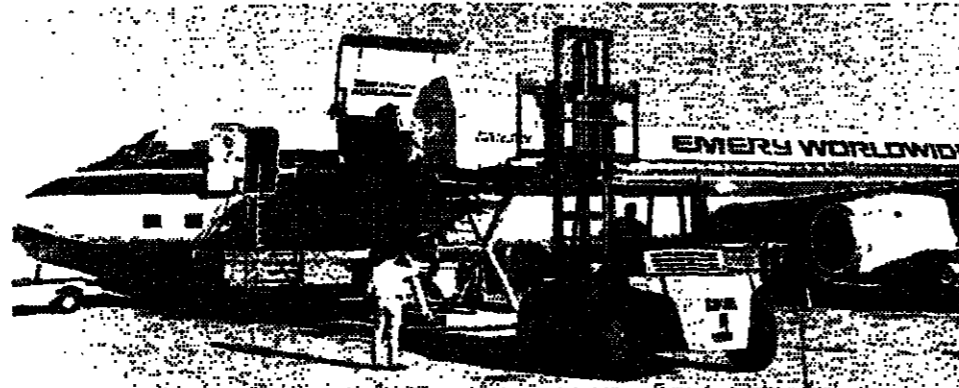
"What is now wanted is a means of making this transition, with all the apparent cost savings which can result, without any decline in the level of service a company can provide to its customers."

Responding to those changes, express companies which initially made their mark on the international distribution scene by offering a set menu of fast, door-to-door delivery services, are now refocusing much of their development effort on the provision of custom-designed services geared to meet the often complex requirements of modern logistics operations.

Among the big four integrators, for example, TNT and Federal Express have established separate logistics divisions. United Parcel Service has set up logistics teams all over the world; and DHL has this month announced the formation of an "Interface" team to work alongside leading customers.

Meanwhile, Emery Worldwide, one of the pioneers of international integrated door-to-door express delivery services, is looking to transplant its US Warehouse Inventory System Express (WISE) into Europe. And airtight forwarder Air Express International (AEI) is improving its intra-European express delivery system Pandalink to meet customers' expanded logistics requirements.

The reasons for that sort of express industry development become clear as Mr Tony Keating, head of European logistics for UPS, explains why that company has established its logistics teams.



Emery Worldwide: one of the pioneers of integrated door-to-door express delivery services

"More than 35 per cent of the total potential package market UPS is interested in is in the hands of the multinationals. Having established that, we decided we had to do more about meeting the requirements of those customers," he said.

As an example of the sort of operation which has evolved, Mr Keating points to a contract UPS has with Fujitsu subsidiary Poquet. Basically, the latter brings computers from Japan and peripherals from the US into the Netherlands for distribution throughout Europe.

"We handle the computers from Japan using our Japanese joint venture company UniStar

Fast delivery services are needed from centralised warehouses

and the peripherals from the US using our expedited service. Once the products arrive in the Netherlands, we move them under bond to a bonded facility at Tilburg in the south of the country," says Mr Keating.

"European customers transmit their orders electronically to the company in the US and they then transmit the information back to us in the Netherlands by 0800 hours. We then pick and pack, undertake certain quality control procedures, carry out the customs export procedures and then distribute the products throughout Europe by air and ground service."

TNT and Federal Express have adopted a slightly different approach to meeting the logistics demands of multinational companies. The former, for example, runs TNT Contract Logistics as a separate operation.

"We may use other parts of the TNT organisation such as

air express, road express or courier services but we are not asset-driven. By that I mean we are not trying to fill up TNT's aircraft or trucks - if that happens, it is purely coincidental," comments Mr Brian Bolam, managing director of TNT Contract Logistics Europe.

"We basically start with a blank sheet of paper for the design of each contract and select what are the best options for the customer. And every customer is different. You cannot make any assumptions. You have to examine everything in detail."

Federal Express, too, has established a separate division - Federal Express Business Logistics. Included in that development has been the establishment of "Partsbank" international distribution centres in the UK, continental Europe and the US. Basically, Partsbank customers buy on a "pay-as-you-use" basis from a menu of services which includes collection, storage, stock control, customs, forwarding and airfreight, plus delivery.

Federal Express Business Logistics is also developing dedicated logistics operations. Recently, for example, the company announced the formation of a "global alliance" with fashion and furnishings group Laura Ashley. Included in that operation will be the sourcing of goods from all over the world, supply of products to stores and home delivery.

Latest logistics-related development from DHL involves the launch this month of a programme called Interface. Mr David Stewart, general manager key accounts for DHL International (UK), describes Interface as "a concept we have developed to encourage dialogue and debate with our existing and potential customers

on a number of levels".

Giving examples of that last point, he cites Interface Arena which "offers a means to exchange views and ideas among industry peers". Interface Team which "guides individual clients through the project management process"; and Interface Desk which "gives selected client sites an enhanced level of day-to-day customer service".

Emery Worldwide launched its WISE operations in the US some five years ago and also now has a WISE-type set-up in Amsterdam specifically to service the Dutch market. The wider ranging general intra-European operation under consideration may be based in Brussels.

"WISE depots provide customised inventory management and expedited delivery programmes for high-value or time-sensitive goods," explains Mr Roger W. Curry, Emery's president and chief executive officer.

But express industry executives concede that they still have a lot of work to do to fully provide the sort of distribution systems many of their customers are looking for. "Euro-logistics is something we are going to have to work at. Anyone who says it is already here is probably guilty of believing their own press," commented Mr Robert Kelly, marketing director for Federal Express Business Logistics. "Companies seeking to operate logistics across European national borders still face real obstacles - for example, local laws and regulations, language, culture, customs and practice. They are all very important issues which will continue to have enormous influence on how a company operates."

Phillip Hastings

EC post offices may soon be facing more competition

## Monopoly likely to end soon

MAIL services around the world, once the monopoly of national post offices, are set to be opened to more competition. The hugely profitable UK Post Office is awaiting increased deregulation of the Royal Mail while abroad a group of state-controlled post offices have joined forces with private Australian express operator TNT.

Meanwhile, a long-awaited EC Green Paper on the future of the community postal services, which has taken almost two years to compile, has recommended gradual liberalisation of cross-border and direct mail services.

This is a significant softening of tone compared with earlier drafts which recommended the removal of mail services from post office monopolies.

However, five state-owned post offices - three of them from member states - went ahead with liberalisation of some services before the Green Paper was published.

The administrations of Germany, the Netherlands, France, Sweden and Canada formed a new group, GDN Net, and embarked on a joint venture with a subsidiary of TNT - TNT Express Worldwide - to handle their international express traffic.

GDN Net has taken a 50 per cent stake in the venture with the other half owned by TNT. The new company is autonomous and managed independently of both shareholders. It is also structured to allow other postal administrations to join.

It is a marriage of the utmost convenience which gives the post offices the opportunity to compete equally in an international express market worth about \$2.5bn.

TNT, who had been suffering in Europe from excessive competition, now have guaranteed volumes within a high-fixed cost infrastructure. In addition, they have benefited from a substantial cash injection into the venture by the post offices.

Mr John Mulren, chief executive of TNT Worldwide Express, said: "The current level of losses in the industry were unsustainable. It was a worldwide issue; we needed volume for fixed-cost structure and we needed partners to develop a strategy - it had to be someone who could bring something to the table."

Mr Leon had spoken of his commitment to full liberalisation of the international and express postal services while the telecommunications directorate took an entirely different view - giving support to arguments by post offices against wholesale liberalisation.

The post offices feared that the broad reform which stripped them of their monopoly rights meant they could not afford to maintain universal services.

The Green Paper does reiterate the right of each member



In a joint venture, TNT Express Worldwide now handles international traffic for five countries

"The post offices felt they desperately needed an integrated worldwide structure to give them what no post office could have - a full end-to-end chain."

"Ninety per cent of our customer base is corporate while 80 per cent of the post offices' business comes from over the counter - the small-users market. If you put the two together there is a lot of potential."

"Some post offices have reserved their position while others said they don't intend joining. At the moment we are involved in discussions with the UK post office."

Thousands of words have already been written on what

The UK Post Office is awaiting deregulation of Royal Mail

the EC Green Paper might contain and it had been the source of intense wrangling in Brussels between Sir Leon Brittan's competition directorate and the post and telecommunications directorate.

Sir Leon had spoken of his commitment to full liberalisation of the international and express postal services while the telecommunications directorate took an entirely different view - giving support to arguments by post offices against wholesale liberalisation.

The post offices feared that the broad reform which stripped them of their monopoly rights meant they could not afford to maintain universal services.

The Green Paper does reiterate the right of each member

state to apply for "a more restrictive solution" under the EC treaty in the interest of preserving a universal mail service.

Sir Leon, launching the Green Paper last week, said he would not rule out the use of special Commission powers to break open national monopolies without approval of member states.

He stressed that the Commission would move quickly to turn its discussion document into legislation.

Mr Colin Mitchell, chairman of the UK-based Mail Express Services Users' Association, said private operators had looked to the Green Paper for a level playing field between post offices and non-monopoly suppliers in competitive areas.

While the rest of Europe digests the implications of the Green Paper the UK Post Office, widely regarded as the most efficient and the best in Europe, is flexing its muscles for increased deregulation within the Royal Mail which will remove its monopoly for letters costing under £1.

Research suggests that opening the postal service to competition would create a £500m market for letter services.

Post Office chairman Sir Bryan Nicholson said he would welcome what he describes as sensible competition and deregulation and believes the corporation is in a strong position to compete successfully within the new market place.

Certainly, the Post Office itself is in good shape. During the past 10 years it has contributed more than £700m to central government financing.

It is also true that no private operator could hope to match

the sheer scale of an organisation which handles around 80m letters a day.

The Post Office is also no stranger to handling competition - Parcelforce and Royal Mail International compete against private operators for business.

However, the situation may not be so cut and dried.

Mirroring some European fears about opening up monopolies to increased competition, Mr Alan Tiffin, chairman of the Union of Communications Workers, has warned that deregulation could mean the end to the universal service with private operators taking the most profitable parts of the letters business.

Mr Tiffin said: "When this happens we will steadily fall into loss-making decline which I believe will lead to cuts in services."

The government has always been adamant that the universal service would be retained and Sir Bryan said the Royal Mail would continue to give what he describes as a top-class universal service to customers.

He dismissed the ideal of a free-for-all which would disadvantage rural and outer urban areas.

"We have a national mandate and it is clearly against the customers' interest - competition mustn't undermine that."

Looking to the future, Sir Bryan believes the industry will move towards more partnerships. He is negotiating with GDN Net and said he was "looking at what is best for us and keeping my options open".

Janina Walker

The express market in the UK has long been oversubscribed

## Carriers struggle for profits

FORMAL withdrawal of the US parcels carrier Federal Express from the UK domestic market provides further evidence of the continuation of fierce competition in the sector.

According to management consultants Rickard Johnson, who have been involved in courier and express parcel services for a number of years, combined figures for the 10 largest carriers in the UK actually show a loss.

"The economics of delivery services are highly volume-dependent. Thus, many operators have focused on volume growth as a way of reducing unit costs - yet they remain unprofitable," says Mr Andrew Johnson, a director of Rickard Johnson.

However, while many of the leading carriers are struggling to achieve profitability in the UK Mr Johnson points out that some of the smaller players are still reporting attractive levels of profitability.

"Our research shows that many of the major express operators dissipate their economies of scale in delivery in other areas while some smaller operators achieve economies without the scale," he adds.

Similar observations about the viability of smaller express companies are made by senior executives from the UK's largest parcels carrier, the Royal Mail's Parcelforce, which claims to handle more than 30 per cent of domestic parcels traffic.

Mr Peter Child, Parcelforce marketing director, observes: "Small carriers and by that I mean companies handling less than 1 per cent of the market - now account for around 55 per cent of the urgent parcels market and 45 per cent of the non-urgent sector. And there is now almost a pattern of the smaller companies doing better than the big integrators."

He made that comment in the light of the decision by Federal Express to pull out of the UK market and other European sectors.

Predictably, competing carriers have welcomed the reduction in capacity resulting from that move. Typical is the reaction of Mr Robin Davies, general manager commercial and marketing for the Mayne Nickless group's domestic parcels

carrier Parcelline.

"The express market in the UK has been oversubscribed for some time due to the presence of major international operators and the low barriers of entry. Therefore, the elimination of one particular major operator is to be welcomed," he comments.

Federal Express is the second of the world's four leading global integrators to pull out of the UK domestic express market. Last autumn, DHL effectively did the same by disposing of its UK overnight delivery company Eilan through a management buy-out.

That leaves TNT Express as the sole global "big four" player on the domestic British scene, although rumours persist that the industry giant United Parcel Service (UPS) may be about to make its long-awaited move into the market. Whether or not UPS does, Continued on next page

(Approximate cost to deliver 1 item by international courier - £25)

(Cost of sending ten 10g letters worldwide - £23.40)

## How much can you express for £25?

Send it overseas by courier and it'll cost you around £25. But send it Swiftair and your international mail will get priority handling for just £1.95 plus postage. That's a saving of around £20 on every item. Which means you can afford to express a whole lot more with Swiftair.

For more information about Swiftair visit your local post office or return this coupon to Royal Mail International, FREEPOST, 12 Fenton Way, Basildon, Essex, SS15 4BR.

Name \_\_\_\_\_

Position \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

Postcode \_\_\_\_\_

Telephone \_\_\_\_\_

**Swiftair**  
EXPRESS AIRMAIL

Arrives faster. Leaves a big impression.

(Swiftair is an express letter service, not a guaranteed courier service).

## THE INTERNATIONAL EVENT NO EXPRESS OR MAIL PROFESSIONAL CAN AFFORD TO MISS

THE 5th WORLD EXPRESS & MAIL CONFERENCE & EXHIBITION 1992

The only occasion in the year when worldwide express freight and mail service operators and users can get together to talk, plan and learn. • An immensely successful show window for operators and suppliers. • An unrivalled opportunity to meet people and make contacts and alliances.

**"The Next Step - Managing the Future"**

The two day conference with a full programme of papers and discussions is designed to help you stay ahead of the game. Expert speakers include the top names in the industry, focusing on the real practical issues of the '90s.

**The Industry's No 1 exhibition**

World Express and Mail is the only showcase in the world for express or courier services, retail, postal

systems or any product or equipment used in the business.

For further information on both the conference and exhibition, please return the coupon below or phone.

Jo Parsons on +44 (0) 494 450054

Please send me further information on:

☐ The Conference ☐ The Exhibition

Name \_\_\_\_\_

Address \_\_\_\_\_

Telephone \_\_\_\_\_

Triangle Management Services Ltd  
35-38 Castle Street, High Wycombe, Bucks.  
HP12 3BN England  
Tel: +44 (0) 494 450054 Fax: +44 (0) 494 450836

**M U N I C H**

23 - 24 JUNE 1992

MUNICH PARK HILTON HOTEL

## COURIER AND EXPRESS SERVICES 3

Operators have found it costly to develop pan-European coverage

## On track for a faster service

RECENT moves by giant United States-based parcels carrier Federal Express to pull out of all European domestic and regional operations highlight a more general problem for the international express industry.

Basically, it centres on the desire of carriers to develop full pan-European delivery systems in a market where the traffic volumes are generally not yet sufficient to support their large and costly service infrastructures.

That shortfall between capacity and freight volumes has been particularly evident in the air express sector. During the 1980s, leading operators such as Federal Express, TNT, DHL, United Parcel Service (UPS) and Emery Worldwide all built up their own dedicated air networks in Europe. But in many cases, their aircraft were either under-utilised or carried freight at rates well below those necessary to make such operations economically viable.

With the advent of economic recession at the end of the 1980s serving to accentuate those problems, express companies realised they could not afford to go on running so many different air networks. Increasingly, they started looking at sharing line-haul capacity in an attempt to reduce costs.

The first big move in that context came towards the end of last year when Australian-

based integrator TNT Express Worldwide announced the formation of a joint venture with postal services organisation GD Net. As part of that venture, the five post offices belonging to GD Net are now putting their express traffic on TNT's European fleet of British Aerospace 146-QT freighters.

TNT claims it is already seeing significant cost savings as a result of that co-loading and other features of the joint venture. The company says that in northern Sweden, for example, where the local post office is now delivering, the unit cost of delivery has been halved. And

seals-based wholesale organisation Air Bridge Express (ABX), Richard Johnston.

ABX, a division of UK-based airline Air Bridge Carriers, last year signed a contract with the UK Post Office to linehaul Datapost traffic all over Europe and has other similar contracts with the Irish and Portuguese post-offices.

Less dramatic than the TNT/GD Net and Federal Express developments but also very much a sign of the times was an agreement earlier this year between air express organisation DHL and airfreight company Emery Worldwide to

Some of the opening salvos have already been fired. Late last year, UPS launched a ground-based European delivery operation which, it claimed, offered rates "between 25 and 40 per cent lower than those of other carriers". And TNT relaunched its European road operations with two new services.

Express industry executives admit their increased interest in European road service development has been prompted by both negative and positive factors.

On the negative side is the realisation that operating aircraft is now so expensive that air express services are really only viable for carrying genuine premium-rated traffic. Shipments which do not attract that sort of rate should therefore be transferred to road vehicles.

More positively, express industry executives say many of their leading customers have indicated that while fairly fast delivery times are desirable, reliability is more important. A reliable road delivery at a lower price than air express is often better suited to their needs.

Looking further ahead, certain express industry companies are also beginning to give

That shortfall between capacity and freight volumes has been particularly evident in the air express sector

similar savings are expected in rural areas of Canada, Germany and France.

The TNT/GD Net venture and the subsequent demise of the Brussels-based International Post Corporation linehaul system - which had been used by some 20 post offices - at the end of last year has also led to a general shake-up and restructuring of other post office express distribution operations in Europe.

"We are in a period of transition at the moment as the whole market waits to see how the TNT/GD Net system develops," commented the director and general manager of Br-

share intra-European and transatlantic air.

Apart from sharing air linehaul capacity, express companies are also now paying greater attention to the development of road transport operations in Europe. In fact, many industry observers believe the pan-European road freight market, a business now reckoned to be worth around £14bn a year, will soon become the main battleground for express delivery companies.



Red Star is planning to use the Channel tunnel for European services

Red Star and other parcels industry users.

Predictably, much of the express industry's European market development effort has been focused on the European Community and EFTA countries. However, larger companies have also been strengthening their presence in eastern Europe.

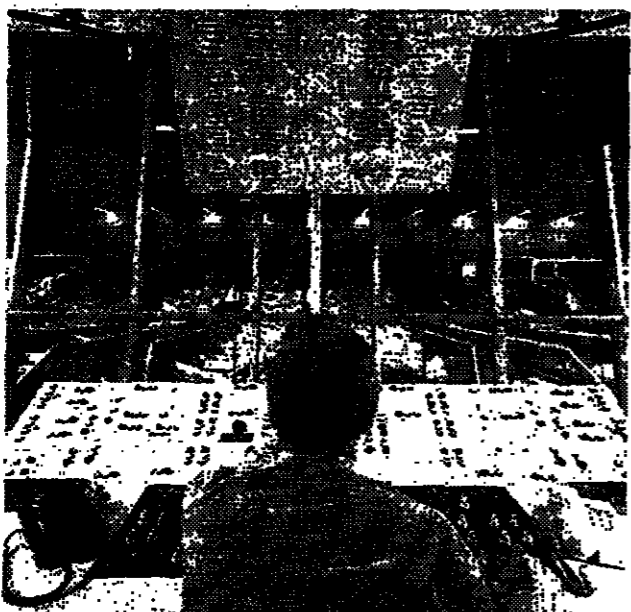
Mr John Monaghan, general manager network development for TNT, said his company planned to develop a "mirror image" of its Western express operations in eastern Europe. "Our aim is to introduce on an increasing scale, scheduled overnight movements to the east with same morning deliveries," he added.

Facts and figures on the actual present size of the eastern European express market, as opposed to much hyped projections of potential future business, are difficult to come by.

However, DHL estimates that as far as the air express sector is concerned, daily total volumes for eastern Europe, inbound and outbound, carried by all operators towards the end of last year, were only averaging around 12.65 tonnes.

Biggest individual market in that region, says DHL, is Hungary which was averaging around three tonnes a day, followed by Yugoslavia (2.5 tonnes), Poland (2.4 tonnes), the then Soviet Union (two tonnes) and Czechoslovakia (1.7 tonnes).

Phillip Hastings



Controlling interest: Parcelforce's distribution centre at Leeds

## Fierce competition hits profits

Continued from previous page  
few industry observers believe the rationalisation of the UK domestic parcels market will have finished. Mr Johnson of Rickard Johnson believes that "as the recession, the willingness of operators to set prices in the next-day segment closer to those in the two-three day segment, and the negotiating strength of buyers continue to drive down prices, there will be more casualties."

Mr Peter Howarth, managing director of Parcelforce, agrees there could be more rationalisation to come as many operators remain under pressure. He points out that recession caused the next-day sector of the UK parcels market to contract by some 20 per cent in the 1990-91 period and the non-urgent sector, where recession began to be felt earlier, by 40 per cent in the 1989-91 period.

"That left a lot of spare capacity. The withdrawal of Federal Express has helped that situation a bit but there is still a lot of excess capacity around," he adds.

Meanwhile, established carriers in the UK parcels market are scrambling to capture Federal Express's share. The most immediate beneficiary is the market's second largest carrier, Securicor Omega Express (SOE), which bought the US company's UK domestic parcels business. The deal involves SOE paying £2.6m in cash for goodwill and a further £4.5m in cash for other assets, including dispatch and labelling systems.

SOE formally took over the running of the Federal Express old operations from May 5 and has also become sole contractor for handling its international traffic, except for an area roughly within the M25 London orbital motorway area which will continue to be serviced directly by the US parcels company.

Prior to its decision to pull out, the Federal Express domestic parcels business turnover in the UK was running at something over £40m a year, about 2.5 per cent of the market. SOE's turnover is around £208m, representing 12 per cent of the market, some 2 per cent ahead of the third largest operator, TNT Express.

Mr Pat Howes, SOE chief executive, says his company is



Peter Howarth believes there could be more rationalisation

expecting to pick up as many as 40,000 additional parcels a day following the Federal Express deal, a 10 per cent increase on its present figure of around 400,000.

Rival companies have launched a fierce marketing drive to capture a share. Parcelforce claims to have picked up some £2m worth of extra business in the first few weeks after the Federal Express pull-out was announced and is negotiating for more.

"Customers don't make instant decisions on whether to change their carrier so it will take a few months before we see who have been the real beneficiaries of the FedEx withdrawal - but we definitely expect to be one of them," says Mr Child.

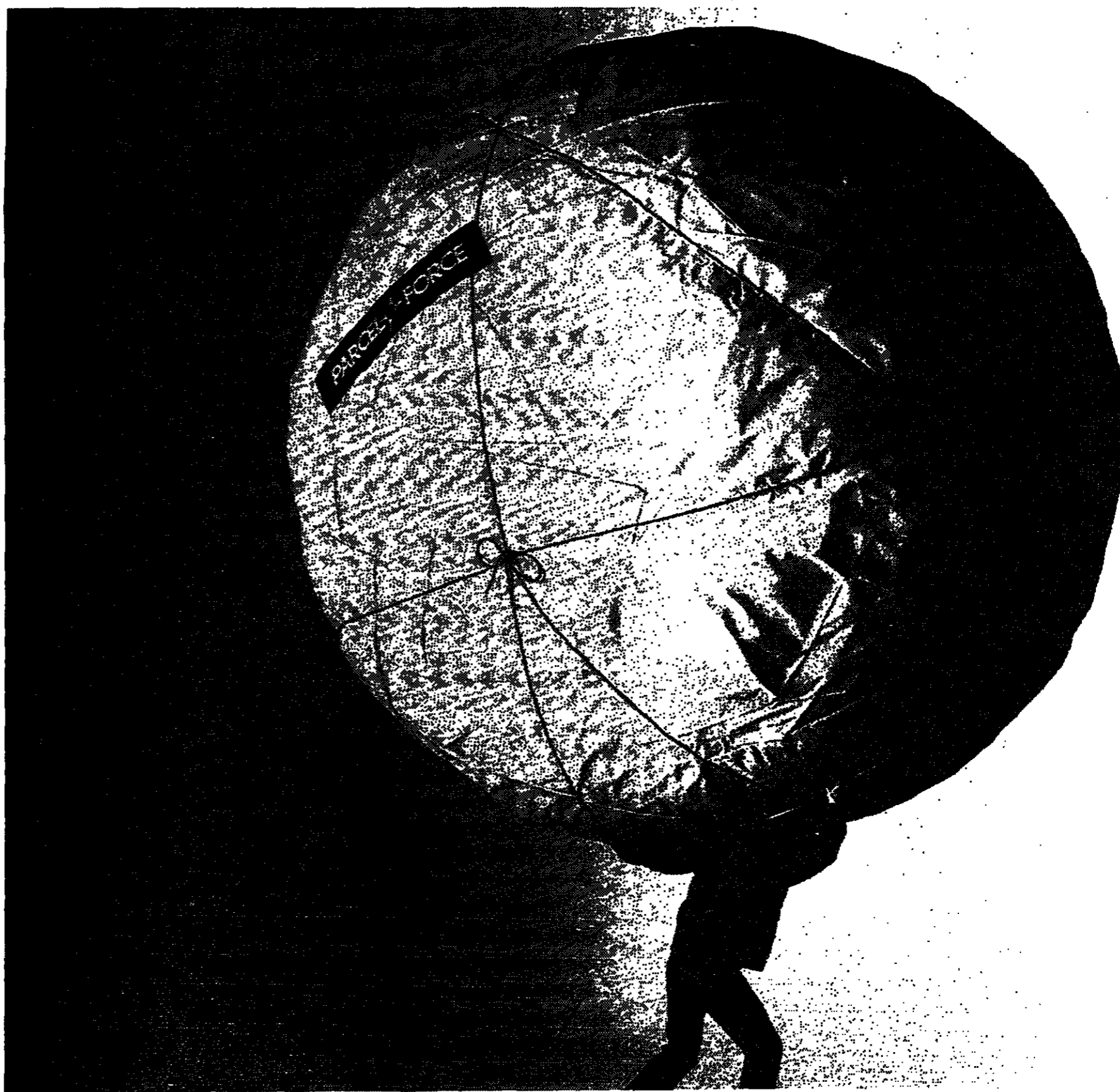
In the meantime, Parcelforce is moving to complete its operational separation from Royal Mail. It plans to take over the full end-to-end collection and delivery of its domestic premium next-day service Datapost by March 1993. Hitherto, much of that work has been sub-contracted to Royal Mail.

Parcelforce is also looking to take over direct control of some 80 per cent of its standard three to five day parcels collection and delivery activities by the same date. But it will continue to sub-contract some rural area operations to Royal Mail.

A new five-year strategic development plan, just announced by Parcelforce, includes planned investment of £50m. Part of that expenditure will include the acquisition of some 1,500 new vehicles.

Phillip Hastings

## NO ONE TAKES AWAY MORE PARCELS, PACKAGES OR WORRIES



When you've got the world on your back, it pays to remember that nobody's bigger than Parcelforce.

Our vast resources mean we can carry out almost any delivery job you come up with, quickly, reliably and economically.

You name the destination. Our services

deliver to all 23.5 million addresses in the UK, and door to door to 214 countries and territories around the world.

You name the speed. Datapost guarantees even the most urgent tasks, while our Parcelforce '24', '48' and 'Standard' services offer complete reliability across a highly

impressive range of both costs and speeds.

You name the number. No bulk delivery is too big for our army of 8,000 trucks, vans and bikes, or our team of over 12,000 staff.

But Parcelforce offers you considerably more than just sheer wheel power.

If your business is a complicated one,

we'll sit down and work out the most efficient programme for your delivery requirements. And services like our weekly data reports and computerised tracking provide reliable checks on each consignment.

That's why Parcelforce works. We're big enough to take any weight off your shoulders.

FOR DETAILS OF PARCELFORCE SERVICES, RING 0800 224444.

**PARCELFORCE**  
THE POWER TO DELIVER

## COURIER AND EXPRESS SERVICES 4

New opportunities are opening up in the airfreight industry

## Airlines aim for a flying start

RAPID international expansion during the 1980s by new-style integrators offering express door-to-door delivery services initially left airlines and freight forwarders struggling to produce a positive response. Much of the latter's intra-European air freight and general international parcel/small parcel business soon disappeared into the hands of companies such as TNT, DHL and Federal Express.

"The fast development of the new integrated transportation concept, especially in Europe, dramatically altered a part of the traditional airfreight scene," said Mr Peter Somaglia, general manager of airline-owned express company Skyraiser.

Now, though, the freight industry is seeing growing demand for the same fast door-to-door delivery of heavier parcels and general freight as that available for smaller packages.

Observers say this is opening up opportunities for the forwarders and airlines to fight back.

They argue that many of the early advantages claimed by the integrators are being eroded as those companies are forced to expand already costly air and truck networks to cater

for larger freight consignments as well as documents and small packages.

"The express companies defined the product for everyone else. What they did was bring to the market delivery - as opposed to despatch - specifications," said Mr Paul Jackson, chairman of express industry research and consultancy company Triangle Management Services.

"But now most people, including the forwarders, are selling all-in prices covering door-to-door movements. And the specialty of the integrators, owning their own equipment, is not a sufficient plus in terms of economics. In fact, the bottom line is that it is not economic to own all that expensive equipment."

Early airline efforts to combat the competition from integrators proved largely unsuccessful. Several ambitious attempts to set up in-house door-to-door express delivery operations failed, mainly because of opposition from forwarders worried about losing their business.

Internal conflicts over issues such as using the services of other carriers for carrying consignments only added to the airlines' problems.

Such failures have not



Peter Somaglia: traditional airfreight scene altered

deterred some carriers from continuing to try to develop express organisations. Swissair, with fellow Swiss carrier Crossair and Austrian Airlines, has spent the last couple of years developing Skyraiser, a door-to-door parcel/document express delivery company. Mr Somaglia explained why Swissair had chosen to set it up as an independent business unit: "The decision not to incorporate these (express) services within the airline was based on the belief that the integrated transportation concept requires overall control and an uninterrupted door-to-door information flow with a dedicated and qualified express-

minded staff," he said.

"It was also believed that any 'internal' airline express operation would lack interest in using other carriers for line-haul purposes, making it impossible to offer customers a complete product."

German airline Lufthansa and Japan Air Lines have adopted a rather different approach, apparently accepting that if you cannot beat the integrators, join them.

The two airlines have each bought a five per cent shareholding in air express company DHL with an option to increase it to 25 per cent in June this year.

Since agreement on that deal at the end of 1990, the companies have taken their time establishing external operational and service co-operation. But synergies are emerging.

"In the US, for instance, DHL aircraft are being used to carry Lufthansa and JAL freight during the daytime," said DHL.

Most other large airlines are now concentrating on developing wholesale express services for forwarders - and courier/express companies - rather than seeking to build up retail door-to-door services. In that way, they believe, they can continue to work with their main customers rather than

competing with them.

One such is British Airways. The carrier has developed a wholesale operation, Speedbird Courier, to provide airport-to-airport services for courier, express and forwarding companies. More recently, it has been developing a wholesale airport-to-door product.

Other leading airlines with owned or affiliated wholesale courier companies include Japan Air Lines (Jupiter) and Hong Kong-based Cathay Pacific Airways (Linehaul Express).

The latter airline, for example, offers an on-board courier service on key routes such as London/Hong Kong; a system-wide parcel/express service offering late cut-off at point of origin, fast retrieval of cargo at airport of destination and tracking/tracing; and an enhancement of that service to include clearance and delivery to the door.

Meanwhile, a host of smaller airlines have developed other niches in the international express market. UK-based Channel Express and Air Bridge Carriers provide aircraft for express service operators moving freight between the UK and Continental Europe/Scandinavia. The latter has also developed its own whole-



Skyraiser: a door-to-door express company owned by three airlines

sale express division, Air Bridge Express (ABEX).

Among the best-known of the forwarder-run express delivery operations in Europe are the Eurapid system run by Swiss-based Danzas and the Pandalink operation of US-based airfreight company Air Express International.

Eurapid is road-based, offering fixed-schedule 24/48/72-hour delivery services throughout the European Community and EFTA countries. "We basically promote Eurapid as a faster alternative to normal road groupage services - the key is the guaranteed delivery aspect," said Danzas.

AEI's Pandalink operation

comprises two basic products. The air-based 'Red' service, offers a 24/48-hour door-to-door delivery and incorporates a straightforward consignment charge and rate per kilo tariff. The 'Blue' service uses road transport to reduce costs at the expense of longer transit times.

Scandinavian forwarding group ASG provides an intra-European express freight service based on nightly freighters linking the UK, Continental Europe and Scandinavia. "Those air links enable us to offer next day delivery of virtually any size of parcel or freight throughout Europe and Scandinavia and before 7am delivery in the capital cities,"

said Mr Jim Shortall, managing director of ASG (UK). In addition to competing with integrators for heavier freight traffic within Europe, forwarders are also looking to work with airlines in longer-haul express markets.

Forwarders say information technology systems enable them increasingly to match the ability of the integrators to electronically track consignments around the world.

And, say forwarders, they have greater flexibility than the integrators when it comes to handling larger consignments.

Phillip Hastings

Tracking technology is becoming increasingly sophisticated

## Barcoded for speedy recognition

IN AN industry where speed and reliability are vital, courier and express operators' consignments monitoring would make Arnold Schwarzenegger's trucker robot Terminator feel at home.

Automatic identification technology, which can pinpoint a parcel in a network, whether it is travelling to Telford or Timbuktu, has always provided customers with reassurance that the carrier is in control. The trend is towards enhancement of this system.

Millions have been spent in this and other information technology (IT) areas, as companies seek to gain the technological edge in a competitive industry squeezed by recession.

Tracking and tracing is a simple idea. Consignments are

A further multi-million pound investment is planned for an new automatic sorting centres in the UK, which will integrate track-and-trace using the barcode technology.

"My personal view on track-and-trace is the domestic operation is that consignments should be delivered so quickly you don't have time to find out where they are," said Mr Linsell. "The trend is not away from track-and-trace, but the enhancement of it - more is being done with the barcode information, and we are getting more functions out of our investment and there are huge incremental benefits in speed and reliability."

Another UK domestic parcel operator, Parcelforce, is investing £2.5m in IT, including the integration of parcel tracking

advance is that we now have the ability to give full image reproduction of a consignment for POD purposes."

DHL is investing £7.5m in IT in the UK this year. It currently has a fleet of 100 aircraft and a tracking and tracing advance for high-volume shippers, which means these customers can now trace worldwide movement of consignments from their own offices.

"Most customers are saying now they want to track more pieces, and they want information on them more quickly," said Charles Brewer, after-sales manager, DHL International (UK). "There is more anxiety in business in this current economic climate, and demands are higher than in the past."

"The comfort factor is still very important for customers, especially when they are involved in the just-in-time method of operation, which involves regular stocking of empty shelves."

DHL is also looking to another track-and-trace advance, which has nothing to do with sophisticated technology - improvement in personal service. In November, the company introduced a 24-hour, seven-days-a-week tracking and tracing service, which means it can contact international colleagues to get immediate information on a consignment.

Mr Brewer said the company was also recruiting staff with foreign languages, to reduce the margin of error when tracing consignments overseas.

UK player Securicor Omega Express, which delivers 1.5m parcels a week, has completed



Trace element: a tracking facility in use at Heathrow airport

the first phase of a five-year £25m investment in IT, which includes enhancement of tracking and tracing technology. Here again, the comfort factor comes into play, in the form of Signline, a nationwide confirmation-of-delivery system based on scanning the barcodes on all consignments which customers ring in to use.

The company's systems manager, Phil Whitlock, commented: "Without technology, a carrier is going to lag behind."

The main impetus is for carriers to communicate billing and receiving."

Australian express giant TNT is also re-equipping systems within the UK operation, at a cost of between £2.6m and £3m.

TNT Express UK's general manager, domestic development, Nigel Barton, said: "Not only are we bolting on to our track and trace, we are completely re-writing our systems."

"What we are doing effectively, from a commercial point

of view, is adding value to get a competitive edge. Reliability is the key... The systems also enable us to monitor our own internal quality, which is extremely important if we are to give the best service to our customers."

"There is certainly more and more demand for information as companies look to operators as an offshoot of their own business, rather than just a parcel carrier. Customers tend to regard us as their own fleet."

British Rail Red Star express parcel division spent £750,000 on a special system, which gives customers the technology to track their own consignments' progress through the distribution chain.

The system - known as TRAC - is PC-based and provides customers with a live on-line link to the Red Star Parcels' mainframe computer. It gives on-line proof of delivery, and generates an invoice and manifest. It is currently being used by high-volume customers, which include IBM, and is updated every three months at the cost of £15,000.

IBM's storage services manager, Brian Fisher, said the company had been using Red Star for a number of years, and the paperwork system used before TRAC had been messy.

"It has certainly tightened things up, and the additional control it gives us, of knowing where a parcel is, is a positive advantage," he said. "We use Red Star for overnight emergency service, which means it is vital for customers to know where their consignment is, if for some reason it does not arrive on time."

"We look to our carriers to give us a good service, and this is certainly an enormous leap forward in those terms."

Janina Walker

Motorcycle couriers hit hard

## Bikes given a rough ride

RECESSION is continuing to give a rough ride to the motorcycle couriers. Liquidation and consolidation are still key factors within what is essentially a transient, fragmented industry business. It thrived in the 1980s and became the very essence of the free-enterprise culture.

It is difficult to put figures on this niche of the express market which has always had its roots based locally. It is generally believed, however, that what is happening in London could be occurring throughout the rest of the country.

In the capital the very nature of a business, which anyone can enter, is proving a headache for those left in the field.

While insiders estimate hundreds of enterprises up and down the country have fallen victim to the recession there are still plenty of operators.

With customers cutting costs there is a shrinking market place. It is a recipe for chaos as companies struggle for a slice of a much smaller cake.

"The situation is getting ridiculous," says Mr Malcolm Blumel, managing director of express courier Rapid Despatch, which has a £4m turnover and has offices in London and Birmingham.

"There is a massive price war going on at the moment which will get worse before it will get better."

"People are so desperate they are running non-profitable businesses because they are cutting their prices to the bone. The problem is that the market is just too easy for anyone to enter and is so fragmented."

"Without a doubt there is a market for our services in legal, advertising, accountancy, publishing and music businesses but there is a greater awareness of costs and margins are being squeezed."

Mr Blumel has recently acquired another express courier company and sees consolidation as the way ahead for the business.

"I believe that to have a future the industry should be in the hands of maybe five or 10 major operators in a couple of years," he says.

"What we need are economies of scale, more investment in technology to give customer confidence and meet their requirements. We have to get away from the idea that we are the poor relations of the courier and express industry out to make a quick buck."

Addison Lee, which has four London offices and a £7m turnover, handles more than 2,000 customer accounts in the London market.

Mr John Griffin, its managing director, describes the London market - generally believed to be the biggest and worth £150m a year - as "extremely tough". He estimates that it has shrunk by 25 per cent.

Mr Griffin says: "Customers are spending less and I am back to the days when I rolled up my sleeves and started up my business in an empty room."

"There is a price war going on. Competition is becoming suicidal as companies as a last resort cut prices to unaccept-

able levels. It is just not a sensible solution as these people will eventually go down."

"It is just too easy for people to start up who don't have the knowledge and experience to run a business. I believe that in the end there will be a polarisation within the industry of those who have managed to survive these extremely tough times."

Mr Paul Meunier, a director of north London express courier West One which operates on a national and international basis through agents, believes the business has changed.

He says: "We still have a role to play but I think it won't quite be the same as the heady days three years ago."

"Our figures are down and they won't get back to the same level - alternative methods have been found for the service we provide. It used to be a gut reaction to call for a bike but I don't think that is the case now."

Mr Meunier believes that,

Although hundreds of enterprises have fallen victim to the recession there are still plenty of operators

although there would always be room for the small operator, the business would move in the direction of large companies able to make the necessary investment in technology.

"There is definitely a move among our clients towards using technology. There are customers who would like to have a modern of their own in their offices and asking if we can provide it - there is no doubt that it is available but it is a new thing for us and we are looking at it."

West One have also shifted ground by moving into the national, overnight service business which they started in October last year.

Mr Meunier says: "This is a new venture for us. We always thought our niche in the business was slightly different but our customers are availing themselves of these services to save money so we felt it was right we should break into them."

Mr Paul Jackson, of Triangle, specialist management consultants to the freight and transport industry, has no doubt that this niche of express services is losing customers.

He comments: "People have downgraded considerably because they are questioning using 'same day' - they can always fast or arrange a delivery for first thing in the morning."

"There is also (the question of) economies of scale. Ninety per cent of motorcycles go one way. It's ludicrous and certainly doesn't make sense - no transport business succeeds on a one-way basis."

"I believe that unless the larger companies wrestle with this and other things such as balancing loads, introducing track and trace systems and computer mapping, they will just go on the same old merry-go-round."

Janina Walker

Security is a crucial consideration for the industry

## Playing it safe on the front lines

ALTHOUGH it has dropped out of the limelight since the Gulf War brought it into a blaze of publicity security is now a crucial consideration for the international courier and express industry. With many shipments travelling in the holds of passenger aircraft, courier and express companies are in the front line of the global battle against terrorist activity.

The risk of courier and express consignments being used by terrorists to place explosives on board aircraft was highlighted at the 1991 World Express Freight & Distribution conference in Amsterdam by the chairman of the Association of European Airlines security committee, Teun Platenkamp. "There seems no doubt that terrorist groups will attempt to conceal explosive devices in cargo, express and courier packages or mail," he warned.

The same packages can be - and have been - used for smuggling drugs and other illegal items. For this reason, express operators are anxiously waiting to see how EC countries organise their customs checks once border controls are abolished to create the Single Market. Shippers who fail to declare dangerous goods are another problem.

However, the main thrust of current government air transport security legislation around the world is predictably focused on combating the

threat of terrorist attacks on aircraft.

There has already been at least one documented terrorist incident involving a courier and shipment. In 1989, an explosion in the lounge at India's Calcutta International Airport was found to have been caused by a courier parcel packed with explosives. The parcel was destined to be put on an aircraft heading for Bombay. However, it was the earlier Pan Am Lockerbie disaster at the end of 1988 which really started to concentrate international attention on the urgent need to tighten up general aircraft security.

Previous legislative moves by individual government and transport organisations such as the United States Federal Aviation Administration (FAA) and the International Civil Aviation Organisation (ICAO) had proved largely ineffective.

It took Lockerbie, and two other aircraft bombings in 1989 - a FrenchUTA aircraft over Niger and a Colombian Avianca flight near Bogota - to prompt governments to consider new air transport security measures.

In the UK, it has led to moves to establish a register of couriers, express companies and airfreight forwarders with recognised security clearance when it comes to shipping goods by air. Representatives from the UK airline, airport, forwarding and courier and

express sectors, plus Customs, have met Department of Transport officials on several occasions to discuss the sort of measures companies must take in order to qualify for such registration. Industry observers now expect an Approved Cargo Agent Register, as it will probably be called, to be in place by the beginning of 1993.

The idea is that companies listed on the register will be given preferential treatment by the airlines when it comes to accepting shipments. Such companies will be deemed less of a security risk in terms of possible terrorist activity and will therefore generally find their shipments subjected to less scrutiny by the carriers.

According to the most recent consultative paper on air transport security presented by the Department of Transport, companies seeking "approved cargo agent" registration will have to set up security programmes covering three broad areas of activity.

The first will centre on some form of pre-employment screening for new personnel, probably along the lines of that already in place for airport employees following the Pan Am Lockerbie tragedy.

The second area for attention will be the physical security of all facilities and vehicles involved in the preparation and transport of goods before being flown.

The third group of measures

will centre on the use of screening systems, both in terms of handling procedures and technology such as X-ray systems.

"The paper shows a very firm intention to move the legislative focus further upstream. It implies there will be controls within air cargo operations from airport security through to building and vehicle security," said Mr David Forbes, group security manager for TNT Express

moving rather more slowly. Even the initially positive United States Federal Aviation Administration became bogged down on the issue. It ran into problems with the US Post Office which claimed that all mail carried on aircraft was sealed against inspection and protected by law.

There has been considerable argument over whether consignments carried on all-cargo aircraft should be subject to the same security checks as those on passenger aircraft.

The US FAA appears to have accepted that cargo carried on freighter and passenger aircraft can be treated differently when it comes to security.

The UK Department of Transport, on the other hand, has indicated it is not prepared to make any distinction between freighter and passenger aircraft freight. "The last thing we, as a company and as an industry, need is to end up with different sets of rules on security in every country where we operate," said TNT's Mr Forbes.

"There is a danger that could happen but there have recently been some signs that govern-

The risk of courier and express consignments being used by terrorists to place explosives on board aircraft was highlighted at the 1991 World Express Freight & Distribution conference in Amsterdam

Worldwide. "I think that approach is right. We believe that everyone should be doing things to relieve the pressure on the airlines when it comes to security matters."

The UK Department of Transport has in the past been criticised by express industry companies for failing to properly understand the needs of their business, particularly when it comes to reconciling security requirements with the need for fast transit. But, say industry sources, communication between the department and the industry on that issue is improving.

Other governments around the world, however, seem to be

ments around the world are starting to get it together more. Certainly, the UK, US and Australian governments seem to be moving in the same direction, although the rest of Europe does seem to be lagging behind a bit."

Another general problem confronting the courier and express industry and other air transport organisations seeking to improve security is the lack of suitable equipment for checking the contents of parcels and larger cargoes. Both X-ray machines and equipment employing Thermal Neutron Activation (TNA) technology, which basically "sniffs" the air for explosives particles, have failed to prove particularly reliable in use. The latter also has quite a high false alarm rate which slows down the checking process.

As a result, it has been estimated that London Heathrow airport, for example, would need six TNA units, average length 24ft and costing US\$1m, just to check baggage.

Rather more practical, it appears, is the application of a concept called the "known or unknown shipper". The basic idea is that courier, express and all other companies involved in moving goods by air should make a clear distinction between freight and passenger aircraft freight. "The last thing we, as a company and as an industry, need is to end up with different sets of rules on security in every country where we operate," said TNT's Mr Forbes.

It is known, for instance, that the courier and package which exploded at Calcutta airport in 1989 was originally collected from a man staying in a hotel.

Phillip Hastings

Janina Walker looks at the impact of environmental issues on operators

## Fleets take on a greener shade

BEING green was once the prerogative of people who wore flowers in their hair - now it is a powerful, emotive issue which has become a crucial factor for express and courier operators.

London's controversial red-route scheme to cut traffic congestion has raised fears that it would affect deliveries, if repeated nationwide.

Tougher environmental legislation has made carriers look at "greening" their fleets, and increased public pressure against night-time activities at airports has become a problem for some operators.

Lynx - a National Freight Consortium company, which handles more than 25m parcels annually - was particularly vocal in their fears last year that the red-route would hamper operations.

The scheme is in operation on an eight-mile stretch of road between north and east London. Parking is banned at any time on double red lines, with time restrictions on single red lines and designated loading and unloading bays.

Mr Alan Soper, managing director of Lynx, said: "The general view at the moment is that it has not caused as many problems as expected because it is in such a limited area."

"However, if it were the norm then it would certainly have an effect on our deliveries and begin to have an impact on the cost."

"Really, this is about a whole host of issues and a balance has to be struck between several competing interests. I think it is untenable that a road should be separated from its shops."

"The real skill is to make a good, balanced decision taking pollution, the free flow of traffic, business, and what people really want into consideration."

Noise pollution from jets has come under increasing fire from environmental pressure groups - in Holland, Maastricht airport has been one of the main targets for campaigners and the Dutch department of transport has recently banned all night flights for the time being.

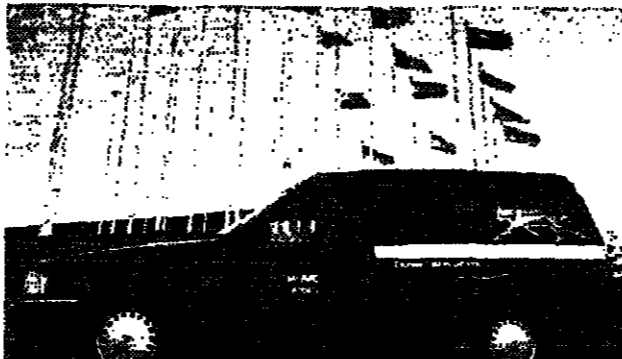
In March, express freight company Emery Worldwide



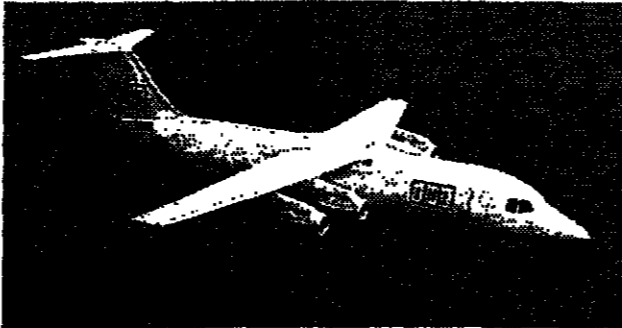
David Burton: night flying ban would be a disaster



Alan Soper: roads should not be separated from its shops



One of the Lynx fleet of vehicles



Quiet freighter: one of TNT's fleet of freighters

finally pulled the plug on their Maastricht hub and moved to Brussels airport following a deal with DHL to share space on transatlantic and inter-European flights.

Mr Chuita Ratnathicam, Emery vice-president International, cited increasingly restrictive night flight curfews as one of the crucial factors in the decision to discontinue operations at Maastricht.

The company now operates from the DEL hub in Brussels and the DCE which were used at Maastricht are being deployed elsewhere.

XP Express Parcels Systems, who pulled out of Maastricht two years ago after being acquired by TNT, also experienced problems with the green lobby.

Mr David Burton, general manager XP International,

**Increased public pressure against night-time activities at airports has become a problem**

said: "There was talk of imposing a night flying ban which for an express parcel company is tantamount to disaster."

"At the time we were using F27s and to get the fleet up to environmental scratch would have been a significant investment by KLM who owned us at the time and I think it was one of the reasons XP was put on the market."

XP now operates from TNT's hub at Cologne airport using the BAe Quiet Trader aircraft

which represent a \$400m investment in greening by the company.

TNT's 20-strong fleet of BAe Q448s - known in the industry as the quiet profit-makers - are said to be the quietest in the world and serve 17 European countries and 31 cities and converge at the Cologne hub every night.

Mr Burton said there had been various attempts to lobby for at least an examination of night-time activity at Cologne which is also used by leading operator UPS.

Global express carrier UPS does not intend to be caught out over environmental legislation and, according to company spokesman Mr Ken Sternad, are making \$4bn investment to ensure their aircraft meet what he described as any regulations anywhere in the world.

Their DC8 fleet - some of which are used in Europe - have all been fitted with new environmentally sound engines at the cost of \$400m.

Mr Sternad said: "It makes good business sense to have an

engine on an aircraft that is environmentally sound, fuel efficient and that will give a tremendous new level of maintenance and reliability which is critical in our industry."

"There is a growing awareness about the environment not only among legislators and the general public but also among our customers who use it in making a decision on their choice of carrier."

In the UK, green policies are high on the agenda at the Royal Mail - by far the largest domestic carrier. The Royal Mail has a 23,500-strong road fleet with an annual mileage of 460m miles a year.

On May 14 three new vehicles which could be the prototypes for the next generation of cleaner, greener transport fleets, were unveiled.

The vehicles, developed by the Royal Mail and Leyland DAF, use less fuel, have equipment to cut out black exhaust fumes, make minimal noise and carry the latest computer technology.

They will be road-tested this month and it is likely they

must successful features will be included in all new Royal Mail vehicles.

Mr Ray Bayfield, head of road transport at Royal Mail, believes that it is important to do what they can to make the world a greener place.

The Royal Mail is no stranger to greening - they have already completed a six-year programme of converting their vehicle fleet to unleaded fuel and are still testing two 17-tonne "green" trucks.

Express parcel carrier City Link have this month added the sixth environmentally friendly vehicle to their fleet.

The two-tier, 38-tonne trailer, can carry the load equivalent of almost two conventional articulated lorries and has an engine which meets EC regulations, including lower noise and exhaust and emission levels.

Mr Duncan Brazier, City Link national transport development manager, said: "With any company today there is an across-the-board perception of the need to be environmentally friendly. On a publicity basis, if nothing else, we all accept that if we are going to operate effectively we must look at what we can do to lessen our impact on the environment."

"It is not very often that you can reduce operating costs and be ecologically friendly but we have been able to do just that with this new vehicle."

Mr Brazier added that City Link could possibly add more of the special vehicles to their fleet in the future if volumes merited the need for them.

The tunnel will open a new route to Europe

## Plans for high-speed parcels train

THE ALTERNATIVE route to Europe, which the Channel tunnel will eventually provide for courier and express business, is the subject of intense discussion and speculation.

Global express operator DHL has announced that it is seeking partners in a venture to set up a European parcels train, to run through the tunnel.

The company has been negotiating with British Rail and its French and Belgian counterparts, SCNF and SNCB, for some time, though DHL's chief executive, Patrick Lupo, has refused to discuss in detail the nature of the talks.

"We see a great opportunity in terms of express traffic going through the tunnel when it is fully operational," he said. "It has to be a high-speed rail link, but the critical factor is that it is the optimum speed to provide the transit times customers require. If other parties are interested in this, we would like to hear from them."

Mr Lupo said the transport minister ought to encourage such export traffic. The UK manufacturing base, he said, required a transport infrastructure that would merge more effectively with that on the continent.

DHL is no stranger to letting the train take the strain. Later this year, it plans to switch its air and road operations between its Brussels hub and Paris to an overnight rail service. The company is investing \$1m to build its own terminal at Paris La Chappelle station, and to modify rolling stock for air express sorting.

Neil Firth, network planning manager, Europe and Africa, said: "A train allows you to do something while you are in transit - sorting and administrative activities. The move towards trains is also a defensive move, to cover the geography that a truck can. There are also lots of pressures, environmental and practical, in getting slots and operating out of airports at the moment."

"The economics are that a train is roughly the same cost as an aeroplane. There is a dif-

ference with a train, in that, as volume grows the incremental costs become smaller in the longer term, which is strategically much better."

The European parcels train, which, according to Mr Firth, would be an 18-carriage TGV, purpose-built to run through the Channel tunnel, would operate some time after the tunnel was opened.

Andrew Wilby, business manager for Channel tunnel parcels, European Passenger Services, said British Rail envisaged two European parcels trains, which would each carry 176 tonnes of express freight.

"They will contain roller beds for carrying containers, which is aircraft technology - the trains, in effect, will be wingless aircraft. They will make the journey to Brussels airport in around three hours, just the sort of time-frame within which an aircraft works."

"However, a train is going to be considerably cheaper, and I understand they are more reliable than aircraft... When an aircraft is grounded because of fog or snow, it tends to be incapacitated for a long time, whereas a train would probably be just an hour late."

British Rail's Red Star, which handles 6m parcels a year, uses air and sea to carry consignments across the Channel. It has a same-day service from London to Amsterdam, Brussels, Paris and Rotterdam. When the Tunnel opens, it plans to run a same-day scheduled service to Paris and Brussels, on the back of passenger trains.

Roger Harrison, Red Star's public affairs manager, said: "There is no doubt that the Channel tunnel will be a boost. The capacity for sending light freight and documents will be quite extensive. On top of this, an hourly train service across the Channel will give flexibility - and, of course, a train is reliable as it is less prone to the effects of adverse weather conditions such as fog as aircraft are."

Consignments on trains from London's Waterloo station will be carried under bond, in total security until they reach Paris and Brussels.

"The train journey time will be three hours to Paris and under three hours to Brussels, with customs clearance post-1992 making deliveries well within a working day," said Mr Harrison. "The inter-city trains have to be a winner, because they provide three key factors - reliability, capacity and frequency." Mr Wilby said the tunnel would give operators an alternative international route in a market that was growing by about 20 per cent a year.

He emphasised that the express services which would use the passenger trains would not be an open system, and that Red Star would be acting as agent for private operators.

"Security is of prime importance," he added, "and there will be a barrier to couriers who want to just board a train with parcels. Regulations will have to be strictly enforced."

Paul Jackson, of Triangle, specialist management consultants to the freight and transport industry, said the tunnel offered the industry much potential.

"The main advantage of using a train is being able to sort out packages while they are in transit. There are also some congestion problems with jets at various European airports and rail offers an alternative."

The Red Star retail product would be given a great opportunity, but "it is worth remembering that you have to be as good as your railway partners on the Continent. If the railways got their act together, I believe there would be a real threat to the European parcels industry."

"There is no doubt that this is an exciting time for the industry, but it also could be a difficult one, because the difference between theory and practice is one of the widest in the whole transport system."

Janina Walker

**If you're serious about your business taking off to the USA, send it Fast Class.**

**EXPRESSfreighter.**

**The only service to deliver your documents and packages across the USA next business day before 10.30 a.m. And now even on Saturdays by noon.**



**FEDERAL EXPRESS. THE FASTEST WAY TO MORE OF THE USA.**

Toll free numbers: UK: 0800 123 800 - Belgium: 078-11 35 55 - France: 05.33.33.55 - Germany: 0130-7573 - Netherlands: 06-0222 333 - Switzerland: 155.37.57 - Italy: 1678-33040

More and more businesses are realising that to compete in America on equal terms you have to deliver fast.

The USA is our own backyard when it comes to package delivery. After all, it's there that we invented overnight delivery and became a household name.

So with 1,500 stations and 30,000 couriers at your disposal across the USA, it's not surprising that as well as speed we offer coverage and consistent reliability.

Who else in Europe can offer this service? No-one.

In a country where service excellence is a way of life, Federal Express helps you compete on equal terms.

To check on availability or to find out more, call us now.

The sophistication of air express comes down to earth. In UPS Euro-Expedited Service. A range of new package and freight services that can connect your business with every single business in thirteen countries across Europe.



## New from UPS. The first European ground delivery network as sophisticated as air express.

These new economical ground services offer the flexible billing options you would expect. But they have another unique connection: they share much of the technology of our air express system. (A system that serves over 180 countries and territories worldwide.)

Every shipment is tracked electronically. Customs officials are alerted and informed in advance. And we take door-to-door responsibility.

By air around the world or by road across Europe the result is the same: predictability. The confidence of knowing your shipments will arrive when we say they will. That's not just predictability. That's UPS predictability.



**United Parcel Service**  
As sure as taking it there yourself.

For information call: Austria: 0222/71110 3556 Baltics: 0142/440595 Belgium/Luxembourg: 02/2472828 Bulgaria: 092/653854 Croatia-Slovenia: 041/675102 Czechoslovakia: 07/840846 Denmark: 43978600 Finland: 090/8702477 France/Monaco: 01/48925000 Germany: 0130/6630 Greece: 01/5225912 Hungary: 01/1335985 Ireland: 01/304003 Italy: 02/50791 Netherlands: 020/6531144 Norway: 02/122020 Poland: 02/6066350 Portugal: 01/8474348 Romania: 0/412038 Russia: 095/4306373 Spain/Andorra: 091/5070888 Sweden: 020/788799 Switzerland: 061/3252755 Turkey: 01/5471220 United Kingdom: 0800/456789 Yugoslavia: 011/154809

® Trademark and service mark of United Parcel Service of America, Inc., of U.S.A.